

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: December 13, 2023

CAO File No. 0150-11054-0003

Council File No.:

Council District: 11

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Correspondence from the Los Angeles World Airports Board of Airport Commissioners (Board) dated November 1, 2023, referred by the Mayor for a report on November 1, 2023

Subject: **PROPOSED THIRD AMENDMENT TO CONTRACT NO. DA-5260 WITH SOLAR TURBINES, INC. FOR ONGOING MAINTENANCE AND REPAIR OF TWO COGENERATION TURBINES AND RELATED EQUIPMENT AT LOS ANGELES INTERNATIONAL AIRPORT**

RECOMMENDATIONS

That the Mayor:

1. Approve Los Angeles World Airports (LAWA) Board Resolution No. 27821 authorizing a proposed Third Amendment to Contract No. DA-5260 with Solar Turbines, Inc. to exercise the first one-year renewal option, increase the contract authority by \$1,000,000 from \$12,227,860 to \$13,227,860 and add a second one-year renewal option through February 13, 2026, to be exercised at the sole discretion of the Chief Executive Officer or his or her designee covering ongoing maintenance and repair of two cogeneration turbines and related equipment at Los Angeles International Airport;
2. Adopt the determination of the Board of Airport Commissioners that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II Section (2)(f) and Article III, Class 1(2) of the Los Angeles City CEQA Guidelines; and
3. Authorize the Los Angeles World Airports Interim Chief Executive Officer, or designee, to execute the proposed agreement and return the Resolution documents to the Los Angeles World Airports for further processing, including Council consideration.

SUMMARY

The Los Angeles World Airports (LAWA, Department) Board of Airport Commissioners (Board) requests approval of a proposed Third Amendment to Contract No. DA-5260 with Solar Turbines, Inc. (Solar Turbines), for the exercise of the first one-year renewal option extending the term from February 13, 2024 to February 13, 2025, increasing the maximum contract authority by \$1,000,000 from \$12,227,860 to a not-to-exceed \$13,227,860 and adding a second one-year renewal option further extending the term from February 13, 2025 to February 13, 2026, to be exercised at the sole discretion of the Chief Executive Officer or his or her designee.

Approval of the proposed Amendment is required to provide ongoing maintenance and repair of two natural gas cogeneration turbines and related equipment which provide electrical power and steam used to heat and cool terminals and other buildings at Los Angeles International Airport (LAX) while a new, competitive procurement process is undertaken to replace the turbines. The turbines were most recently rebuilt/refurbished in approximately 2021 and will reach the end of the manufacturer's recommended 30,000 hour or five-year replacement lifecycle again in 2026.

The proposed Amendment is subject to approval as to form by the City Attorney. Pursuant to Charter Section 373 and Administrative Code Section 10.5, Council approval is required because the cumulative contract term exceeds three years. Our office has reviewed the request and recommends approval.

BACKGROUND

In March 2014, two Solar Turbines natural gas cogeneration turbines were installed in the LAX Central Utility Plant (CUP) as part of the competitively bid CUP Replacement Project. Each unit produces 4.2 megawatts of electricity that power the CUP, certain Central Terminal Area parking structures, and airport traffic signals. The cogeneration turbines also produce steam used for heat and to drive turbine-based chillers for cooling all existing terminals, the Administration East building, and the Theme Building. Excess power produced by the turbines is exported back to the Department of Water and Power (DWP) for a financial credit.

The Department indicates that Solar Turbines is the sole source provider of warranted and certified overhauls, rebuilds, and repairs to maintain the turbines installed at the LAX CUP since the firm does not authorize any third party to repair or overhaul their product and has not licensed their intellectual property relative to the turbines to any third party.

Initial Solar Turbines Contract and Amendment – Contract No. DA-4946 with Solar Turbines for Equipment Health Management services, remote monitoring, preventive maintenance, and spare parts was initially awarded in October 2014 for a not-to-exceed amount of \$552,632 expiring on February 15, 2017. An amendment added \$298,840 for an adjusted not-to-exceed amount of \$851,472 and extended the term by one year expiring on February 15, 2018 (DA-4946A).

Current Solar Turbines Contract – On December 14, 2017, the Board approved a five-year sole source contract with Solar Turbines covering maintenance of the LAX CUP turbines for a not-to-exceed amount of \$7,227,860, expiring on February 13, 2023 (DA-5260, C.F. 17-1446). While the LAWA Board Report indicates the five-year Contract expired on February 13, 2024, the correct expiration date should have been February 13, 2023.

Prior Contract Amendments – The Board approved a First Amendment to the Contract on November 4, 2021, increasing the contract authority by \$2,000,000 for a not-to-exceed amount of \$9,227,860 (DA-5260A). A Second Amendment was approved by the Board on November 3, 2022, increasing the contract authority by \$3,000,000 to \$12,227,860 and extending the term by one year to February 13, 2024 with an option to further extend the term by one additional year through February 13, 2025 (DA-5260B).

Proposed Third Amendment – The LAX CUP turbines were most recently rebuilt/refurbished in approximately 2021 and will reach the end of the manufacturer’s recommended 30,000 hour or five-year replacement lifecycle again in 2026. The Department indicates that the proposed Third Amendment exercises the one-year renewal option provided for in the Second Amendment, adds \$1,000,000 in additional funding and provides a second one-year renewal option further extending the term from February 13, 2025 to February 13, 2026 to be exercised at the sole discretion of the Chief Executive Officer or his or her designee. The Third Amendment is intended to provide continuing turbine maintenance while allowing for development of a competitive Request for Proposals (RFP) for their replacement.

The RFP Process – Recent advances in technology present turbine replacement options utilizing new and sustainable green cogeneration fuels may provide LAWA with help in further reducing its carbon footprint. The continuing research into turbine replacement options in connection with the RFP process is projected to require over one year with additional time required for installation, extending actual replacement until the spring of 2025. The proposed Amendment will ensure that LAWA can maintain the existing turbines in a safe, efficient, and cost-effective manner while the replacement proceeds.

Contract Costs – The requested \$1,000,000 increase in contract authority from \$12,227,860 to \$13,227,860 will cover Solar Turbines monthly maintenance service cost totaling \$840,000, including a six percent annual cost escalation, and provide a contingency amount of \$160,000 for repairs, materials, and other related costs through the end of the proposed contract term extension.

Energy Cost Savings – The Department reports that use of the cogeneration turbines saves LAWA approximately \$30,000 daily in utility costs by avoiding the purchase of additional electricity from the DWP. It is estimated that during Fiscal Year 2021-2022, the use of the turbines resulted in a 68 percent reduction in the cost of power produced by the turbines using natural gas versus the purchase of an equivalent amount of power from the DWP (natural gas cost \$2,444,499 vs. DWP power purchase cost of \$7,570,316). The LAWA Board Report indicates a 72 percent cost reduction, however, based on the costs provided, the correct percentage cost reduction should be 68 percent.

Funds for the contract are available in the Fiscal Year 2023-2024 Los Angeles World Airports Operating Budget in LAX Cost Center 1150070 – Central Utility Plant, Commitment Item 520 – Contractual Services. Costs incurred under the contract will be recovered through terminal rates and charges, landing fees, and non-aeronautical revenues. Funding for subsequent years will be requested by LAWA as part of the annual budget process.

CITY COMPLIANCE

Small Business Enterprise (SBE), Local Business Enterprise (LBE), Local/Small Business Enterprise (LSBE), or Disabled Veterans Business Enterprise (DVBE) Participation – The Department indicates that the City’s SBE/LBE/LSBE/DVBE program participation requirements are not applicable to the proposed Amendment.

Charter Section 1022 – Pursuant to Charter Section 1022, the Department has determined that the work specified in the proposed Amendment can be performed more feasibly or economically by an independent contractor than by City employees.

California Environmental Quality Act (CEQA) – The Department has determined that, as a continuing administrative, maintenance, and personnel related activity, the ongoing maintenance and repair of the two cogeneration turbines and related equipment at LAX is exempt from CEQA requirements pursuant to Article II, Section 2(f) of the Los Angeles City CEQA Guidelines. The Department further indicates that operation, repair, maintenance, or minor alteration of existing facilities of both investor and publicly-owned utilities, electrical power, natural gas, sewage, water, telephone, and mechanical systems serving existing facilities, including alterations to accommodate a specific use, is exempt from CEQA requirements pursuant Article III, Class 1(2) of the Los Angeles City CEQA Guidelines.

The proposed Amendment includes provisions to ensure compliance with applicable City Ordinances, contracting, and insurance requirements. The proposed Amendment is subject to approval as to form by the City Attorney. In accordance with Charter Section 373 and Administrative Code Section 10.5, the proposed Amendment requires Council approval because the total term of the agreement exceeds three years. Our Office recommends approval.

FISCAL IMPACT STATEMENT

The proposed Third Amendment to Contract No. DA-5260 between the Los Angeles World Airports and Solar Turbines, Inc. will increase the maximum contract authority by \$1,000,000 from \$12,227,860 to \$13,227,860 and result in continued savings to the Department of approximately \$30,000 daily over the cost of power purchased from the Department of Water and Power. Funds for the proposed contract Amendment are available in the Fiscal Year 2023-2024 Los Angeles World Airports Operating Budget in LAX Cost Center 1150070 – Central Utility Plant, Commitment Item 520 – Contractual Services. Funding for subsequent years will be requested as part of the annual budget process. The costs incurred under the Amendment will be recovered through terminal rates and charges, landing fees, and from non-aeronautical revenues. The recommendations in this report comply with the Los Angeles World Airports' Financial Policies. Approval of the proposed Amendment will have no impact on the City's General Fund.

Attachment – BOAC October 19, 2023 Report, Resolution No. 27821, and proposed Third Amendment to Contract No. DA-5260 with Solar Turbines, Inc.



November 1, 2023

The Honorable City Council
of the City of Los Angeles
(via email)

Subject: Third Amendment to Contract DA-5260 with Solar Turbines, Incorporated

Pursuant to Section 373 of the City Charter, enclosed for your approval is the Third Amendment to Contract DA-5260 with Solar Turbines, Incorporated that was approved by the Board of Airport Commissioners at its October 19, 2023 meeting. There is no impact to the General Fund.

RECOMMENDATIONS FOR CITY COUNCIL:

1. Adopt the determination by said Board that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f and Article III, Class 1 (2) of the Los Angeles City CEQA Guidelines; and
2. Approve the Third Amendment to Contract DA-5260 with Solar Turbines, Incorporated to exercise the first one (1)-year renewal option, add a second one (1)-year renewal option, and increase the contract authority by \$1,000,000, for new total not to exceed \$13,227,860, covering ongoing maintenance and repair of two (2) cogeneration turbines and related equipment at Los Angeles International Airport; and
3. Concur with said Board's action on October 19, 2023, by Resolution 27821, authorizing the Interim Chief Executive Officer, or designee, of Los Angeles World Airports to execute said Third Amendment to Contract DA-5260 with Solar Turbines, Incorporated.

Very truly yours,

Grace Miguel, Commission Executive Assistant II
BOARD OF AIRPORT COMMISSIONERS

Enclosures

cc: Trade, Travel and Tourism Committee
Councilmember Park, e-file
Councilmember McOsler, e-file
Councilmember Soto-Martinez, e-file
CAO (Airport Analyst), e-file
CLA (Airport Analyst), e-file
City Clerk's Office, e-file



RESOLUTION NO. 27821

WHEREAS, on recommendation of Management, there was presented for approval, Third Amendment to Contract DA-5260 with Solar Turbines, Incorporated to exercise the first one (1)-year renewal option, add a second one (1)-year renewal option, and increase the contract authority by \$1,000,000, for new total not to exceed \$13,227,860, covering ongoing maintenance and repair of two (2) cogeneration turbines and related equipment at Los Angeles International Airport; and

WHEREAS, in March 2014, two (2) natural gas cogeneration turbines of Solar Turbines, Incorporated (Solar Turbines) were installed in the Central Utility Plant (CUP) as part of the competitively bid CUP Project. Each of those units produce 4.2 megawatts of electricity that power the CUP, certain Central Terminal Area (CTA) parking structures, and traffic signals. Power produced that exceeds the above requirements is exported back to the City of Los Angeles Department of Water and Power for which credit is received. The cogeneration turbines also produce steam used to drive turbine-based chillers that provide chilled water for cooling all existing terminals, the Administration East building, and the Theme Building; and

WHEREAS, Facilities Management Division's Airport Utilities and Controls Unit (AUCU) is responsible for maintaining the equipment at the Los Angeles International Airport (LAX) CUP, including the cogeneration turbines, to keep LAX in compliance with Los Angeles County Health Department Standards and Regulations by providing hot water and space heating and cooling in the LAX CTA (terminals, Administration East) providing a healthy and safe guest experience. As Solar Turbines was determined to be the sole manufacturer of the installed turbines and since the company has not (a) recognized any third party as authorized to repair or overhaul the turbines or (b) licensed its intellectual property relative to the turbines to any third party, AUCU is obliged to continue its working relationship with Solar Turbines until another Request for Proposals (RFP) is released. Without the contract in place, LAWA risks not having the only authorized provider of warranted and certified overhauls, rebuilds, and repairs available to maintain the equipment; and

WHEREAS, the contract with Solar Turbines does not have sufficient authority to continue necessary maintenance while a new competitive procurement process is conducted. Staff need additional time to conduct the procurement. The Third Amendment will not only allow for an additional term but will provide the full authority needed as well. Solar Turbines will continue to provide service under the terms of the contract, which include an annual escalation rate of up to 6%. The increase in authority of \$1,000,000 will cover monthly maintenance services that total \$840,000 and provide a contingency amount of \$160,000 for repairs, materials, and other related costs through the end of the contract extension; and

WHEREAS, the Solar Turbines-installed equipment has a manufacturer's recommended lifecycle of 30,000 hours or five (5) years, and the two (2) turbines will need to be replaced in 2026. Staff are drafting a scope of work (SOW) for an RFP to potentially replace the current cogeneration turbines installed at the LAX CUP. However, during this time, new technology has emerged such as hydrogen-capable turbines, which would also require a change in the way the machines are serviced. Therefore, staff decided to take the time to conduct additional research and determine the viability of using newer, green technologies. Once said research is completed and a resulting new SOW and corresponding RFP process are completed, staff will request the Board of Airport Commissioners to approve a new contract. Staff estimate that the procurement process will be complete by approximately Spring 2025; and



WHEREAS, funds for the contract are available in the Fiscal Year 2023-2024 LAWA Operating Budget in LAX Cost Center 1150070 – CUP, Commitment Item 520 – Contractual Services. Funding for subsequent years will be requested as part of the annual budget process; and

WHEREAS, this item, as a continuing administrative, maintenance and personnel-related activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines. In addition, operation, repair, maintenance, or minor alteration of existing facilities of both investor and publicly-owned utilities, electrical power, natural gas, sewage, water, telephone, and mechanical systems serving existing facilities, including alterations to accommodate a specific use, is exempt from CEQA requirements pursuant to Article III, Class 1 (2); and

WHEREAS, Solar Turbines is required to comply with the provisions of the Living Wage/Worker Retention Ordinances; and

WHEREAS, Solar Turbines is required by contract to comply with the provisions of the Affirmative Action Program; and

WHEREAS, Solar Turbines has been assigned Business Tax Registration Certificate 0002747073-0001-1; and

WHEREAS, Solar Turbines is required by contract to comply with the provisions of the Child Support Obligations Ordinance; and

WHEREAS, Solar Turbines has approved insurance documents, in terms and amounts required, on file with LAWA; and

WHEREAS, pursuant to Charter Section 1022, staff determined that the work specified on the contract can be performed more feasibly or economically by an Independent Contractor than by City employees; and

WHEREAS, Solar Turbines has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance, and will comply with the provisions of said program; and

WHEREAS, Solar Turbines has been determined by Public Works, Office of Contract Compliance to be in full compliance with the provisions of the Equal Benefits Ordinance; and

WHEREAS, Solar Turbines will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX jobs; and

WHEREAS, Solar Turbines has submitted the Bidder Contributions CEC Form 55, and will comply with its provisions; and

WHEREAS, Solar Turbines has submitted the Municipal Lobbying Ordinance CEC Form 50, and will comply with its provisions; and

WHEREAS, Solar Turbines will comply with the provisions of the Iran Contracting Act; and

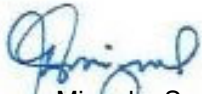
WHEREAS, actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373;

NOW, THEREFORE, BE IT RESOLVED that the Board of Airport Commissioners adopted the Staff Report; determined that this action is exempt from the California Environmental Quality Act (CEQA)

pursuant to Article II, Section 2.f and Article III, Class 1 (2) of the Los Angeles City CEQA Guidelines; found that the work can be performed more economically or feasibly by an independent contractor than by City employees; approved the Third Amendment to Contract DA-5260 with Solar Turbines, Incorporated to exercise the first one (1)-year renewal option, add a second one (1)-year renewal option, and increase the contract authority by \$1,000,000, for new total not to exceed \$13,227,860, covering ongoing maintenance and repair of two (2) cogeneration turbines and related equipment at Los Angeles International Airport; and authorized the Interim Chief Executive Officer, or designee, to execute said Third Amendment to Contract DA-5260 with Solar Turbines, Incorporated after approval by the Los Angeles City Council and approval as to form by the City Attorney.

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I hereby certify that this Resolution No. 27821 is true and correct, as adopted by the Board of Airport Commissioners at its Regular Meeting held on Thursday, October 19, 2023.



Grace Miguel – Secretary
BOARD OF AIRPORT COMMISSIONERS

**THIRD AMENDMENT TO BENEFICIAL USE SERVICE AGREEMENT/
CONTRACT NUMBER DA-5260 BETWEEN THE CITY OF LOS ANGELES
AND SOLAR TURBINES INCORPORATED**

This **THIRD AMENDMENT TO BENEFICIAL USE SERVICE AGREEMENT/** CONTRACT NUMBER DA-5260 (“Amendment”) is made and entered into as of this ____ day of _____, 2023 by and between the **CITY OF LOS ANGELES** ("City"), a municipal corporation, acting by order of and through its Board of Airport Commissioners (the "Board") of the Department of Airports (“Department” or “LAWA”) and **SOLAR TURBINES INCORPORATED** ("Contractor"). City and Contractor are collectively referred to as the “Parties.”

RECITALS

WHEREAS, City and Contractor entered into Los Angeles World Airports Beneficial Use Service Agreement/Contract Number DA-5260 (the “Contract”) to provide maintenance coordination/planning, remote trouble shooting and support, Remote Monitoring & Diagnostics, on-site maintenance and component replacement, scheduled maintenance inspections, replacement parts and repairs, generator inspections and engine exchange/overhaul for the two (2) co-generation turbines in the Airport Utilities Control Unit at Los Angeles International Airport on February 14, 2018; and

WHEREAS, the original funding for the Contract was for an amount not-to-exceed Seven Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$7,227,860.00); and

WHEREAS, the original term of the Contract was for five (5) years, commencing on February 14, 2018; and

WHEREAS, the Board approved a First Amendment to the Contract on November 4, 2021 to add funding in the amount of Two Million and 00/100 Dollars (\$2,000,000.00) for an amended overall Contract amount not- to-exceed Nine Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$9,227,860.00); and

WHEREAS, the Contract was also amended to add Equal Benefits Ordinance and Iran Contracting Act of 2010 provisions to the Administrative Requirements of the Contract; and

WHEREAS, the Board approved a Second Amendment to the Contract on November 3, 2022, which extended the term of the Contract for one (1) year through February 13, 2024, added an option for City to further extend the term of the Contract for an additional one (1) year, and added funding in the amount of Three Million and 00/100 Dollars (\$3,000,000.00) for an amended overall Contract amount not-to-exceed Twelve Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$12,227,860.00); and

WHEREAS, City wishes to exercise the option to extend the term of the Contract for one (1) year (*i.e.*, from February 13, 2024 to February 13, 2025), and add an option for City to further extend the term of the Contract for an addition one (1) year; and

WHEREAS, City also wishes to add funding in the amount of One Million and 00/100 Dollars (\$1,000,000.00) for an amended overall Contract Amount not-to-exceed increase the not-to-exceed Thirteen Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$13,227,860.00); and

NOW, THEREFORE, in consideration of the premises and of the terms, covenants and conditions hereinafter contained to be kept and performed by the respective parties hereto, the parties do mutually agree that the Contract is HEREBY AMENDED AS FOLLOWS:

AMENDMENT

Amendment Section 1. Section 1.2 of the Contract titled “TERM” is amended and restated in its entirety as follows:

The term (“Term”) of this Agreement commenced on February 14, 2018 and, pursuant to a Second Amendment was extended effective February 13, 2023 for an additional one (1) year (*i.e.*, February 13, 2023 to February 13, 2024), with the option to extend the term of the Contract for an additional one (1) year. City is exercising the option to extend the term of the Contract by one (1) year, from February 13, 2024 to February 13, 2025, subject, however, to earlier termination as specified in Section 4.5 of the Contract entitled “Termination.” City shall also have, at the sole discretion of the Chief Executive Officer

of LAWA, or his or her designee (“CEO”), the option to extend the term of the contract for one (1) additional year (i.e., from February 13, 2025 to February 13, 2026). In order to be effective, City’s exercise of such option by the CEO shall be in writing.

Amendment Section 2. Section 1.5 of the Contract titled “PRICING” shall be amended and restated in its entirety as follows:

Solar shall charge, and Customer shall pay, the prices and rates stated in Section 3.0 , *‘Pricing and Commercial Considerations’*, but in no event, shall the total not-to-exceed amount of this contract exceed \$13,227,860.00.

Amendment Section 3. Except as specifically provided herein, this Amendment shall not in any manner alter, change, modify, or affect any of the rights, privileges, duties, or obligations of either of the parties hereto, under, or by reason of said Contract, as amended.

Execution. This Amendment and any other document necessary for the consummation of the transaction contemplated by this Amendment may be executed in counterparts, including counterparts that are manually executed and counterparts that are in the form of electronic records and are electronically executed. An electronic signature means a signature that is executed by symbol attached to or logically associate with a record and adopted by a party with the intent to sign such record, including facsimile or e-mail signatures. All executed counterparts shall constitute one Amendment, and each counterpart shall be deemed an original. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Amendment and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called PDF format shall be legal and binding and shall have the same full force and effect as if a paper original of this Amendment had been delivered that had been signed using a handwritten signature. All parties to this Amendment (i) agree that an electronic signature, whether digital or encrypted, of a party to this Amendment is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document sent or delivered by facsimile or electronic mail or other electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Amendment based on the foregoing forms of signature. If this Amendment has been executed by electronic signature, all parties executing this document are expressly consenting, under the United States Federal Electronic Signatures in Global and National Commerce Act of 2000 (“E-SIGN”) and the California Uniform Electronic Transactions Act (“UETA”) (California Civil Code §1633.1 et seq.), that a signature by fax, e-mail, or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.

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IN WITNESS WHEREOF, City has caused this Amendment to be executed, by the CEO, and Contractor has caused the same to be executed by its duly authorized officers and its corporate seal to be hereunto affixed, all as of the day and year first hereinabove written.

APPROVED AS TO FORM:

Hydee Feldstein Soto,
City Attorney

CITY OF LOS ANGELES

Date: _____


By: _____
Interim Chief Executive Officer
Department of Airports

By: _____
Deputy City Attorney

By: _____
Chief Financial Officer
Deputy Executive Director
Department of Airports


ATTEST:

SOLAR TURBINES INCORPORATED

By:  _____
Signature
Barry Foster

Print Name
Sales Application Engineer

Print Title

By:  _____
Signature
Gareth JONES

Print Name
Global Sales Manager

Print Title



8

Report to the BOARD OF AIRPORT COMMISSIONERS

R. J. Connolly
Approver: Richard J. Connolly, Deputy Executive Director
Facilities Management Division

Brian C. Ostler
Reviewer: Brian C. Ostler, City Attorney

Beatrice Hsu
Beatrice Hsu, Interim Chief Executive Officer

Meeting Date
10/19/2023

Needs Council Approval: ☒ Y

Reviewed for/by	Date	Approval Status	By
Finance	10/2/2023	<input checked="" type="checkbox"/> Y <input type="checkbox"/> NA	JS
CEQA	10/2/2023	<input checked="" type="checkbox"/> Y	MD
Procurement	10/4/2023	<input checked="" type="checkbox"/> Y <input type="checkbox"/> Cond	SGL
Guest Experience	10/3/2023	<input checked="" type="checkbox"/> Y	TB
Strategic Planning	10/3/2023	<input checked="" type="checkbox"/> Y	BNZ

SUBJECT

Request to approve the Third Amendment to Contract DA-5260 with Solar Turbines, Incorporated to exercise the first one-year renewal option, add a second one-year renewal option, and add an additional contract authority amount of \$1,000,000, for a not-to-exceed amount of \$13,227,860, for ongoing maintenance and repair of two cogeneration turbines and related equipment at Los Angeles International Airport. The resulting options may be exercised at the discretion of the Chief Executive Officer.

RECOMMENDATIONS

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article II, Section 2.f and Article III, Class 1 (2) of the Los Angeles City CEQA Guidelines.
3. FIND that the work can be performed more economically or feasibly by an independent contractor than by City employees.
4. APPROVE the Third Amendment to Contract DA-5260 with Solar Turbines, Incorporated to exercise the first one-year renewal option, add a second one-year renewal option, and add an additional contract authority amount of \$1,000,000, for a not-to-exceed amount of

\$13,227,860, for ongoing maintenance and repair of two cogeneration turbines and related equipment at Los Angeles International Airport.

5. AUTHORIZE the Interim Chief Executive Officer, or designee, to execute the Third Amendment to Contract DA-5260 after approval as to form by the City Attorney and approval of the Los Angeles City Council.

DISCUSSION

1. Purpose

The proposed action will extend the current contract and increase the authority amount to ensure that Los Angeles World Airports (LAWA) can maintain uninterrupted technical and engineering services needed to support daily operations of the Central Utility Plant (CUP) at Los Angeles International Airport (LAX).

2. Prior Related Actions/History of Board Actions

- **October 2, 2014 – Resolution No. 25532 (DA-4946)**
The Board of Airport Commissioners (Board) awarded a two-year sole-source contract to Solar Turbines, Incorporated (Solar Turbines) for Equipment Health Management services, remote monitoring, preventive maintenance, and spare parts for the CUP's two cogeneration turbines for a not-to-exceed amount of \$552,632. The contract was set to expire on February 15, 2017.
- **January 10, 2017 – Resolution No. 26145 (DA-4946A)**
The Board approved a one-year amendment to Contract DA-4946 with Solar Turbines to add \$298,840 to the contract for an overall adjusted amount of \$851,472. Contract DA-4946A expired on February 15, 2018.
- **December 14, 2017 – Resolution No. 26395 (DA-5260)**
The Board approved a five-year sole-source contract with Solar Turbines for a Beneficial Use Service Agreement covering the cogeneration turbines in the LAX Central Utility Plant for a not-to-exceed amount of \$7,227,860. Contract DA-5260 will expire on February 13, 2024.
- **November 4, 2021 – Resolution No. 27373 (DA-5260A)**
The Board approved the First Amendment to Contract DA-5260 with Solar Turbines to increase contract authority by \$2,000,000 for a new total not-to-exceed amount of \$9,227,860.
- **November 3, 2022 – Resolution No. 27618 (DA-5260B)**
The Board approved the Second Amendment to Contract DA-5260 with Solar Turbines to increase the contract authority by \$3,000,000, for new total not-to-exceed amount of \$12,227,860, and extend the term through February 13, 2024, with a one-year renewal option, covering ongoing maintenance and repair of two cogeneration turbines and related equipment for LAWA.

3. Background

In March 2014, two Solar Turbines natural gas cogeneration turbines were installed in the CUP as part of the competitively bid CUP Project. Each of these units produce 4.2 megawatts (MW) of electricity that power the CUP, certain Central Terminal Area parking structures, and traffic signals. Power produced that exceeds the above requirements is exported back to the City of Los Angeles Department of Water and Power (LADWP) for which credit is received. The cogeneration turbines also produce steam used to drive turbine-based chillers that provide chilled water for cooling all existing terminals, the Administration East building, and the Theme Building.

Facilities Management Division's Airport Utilities and Controls Unit (AUCU) is responsible for maintaining the equipment at the LAX CUP, including the cogeneration turbines, to keep LAX in compliance with Los Angeles County Health Department Standards and Regulations by providing hot water and space heating and cooling in the LAX Central Terminal Area (terminals, Administration East) providing a healthy and safe guest experience. As Solar Turbines was determined to be the sole manufacturer of the installed turbines and since the company has not (a) recognized any third party as authorized to repair or overhaul these turbines or (b) licensed their intellectual property relative to these turbines to any third party, AUCU is obliged to continue its working relationship with Solar Turbines until another Request for Proposal is released. Without this contract in place, LAWA risks not having the only authorized provider of warranted and certified overhauls, rebuilds, and repairs available to maintain the equipment.

4. Current Action/Rationale

The current contract with Solar Turbines does not have sufficient authority to continue necessary maintenance while a new competitive procurement process is conducted. For the Second Amendment, staff only requested sufficient contract authority for the first renewal option. Staff need additional time to conduct the procurement. This request for a Third Amendment will not only allow for an additional term but will provide the full authority needed as well. Solar Turbines will continue to provide service under the terms of the current contract, which include an annual escalation rate of up to six percent. The requested increase in authority of \$1,000,000 will cover monthly maintenance services that total \$840,000 and provide a contingency amount of \$160,000 for repairs, materials, and other related costs through the end of the requested contract extension.

The Solar Turbines-installed equipment has a manufacturer's recommended lifecycle of 30,000 hours or five years, and the two turbines will need to be replaced in 2026. Staff are drafting a scope of work (SOW) for a Request for Proposal (RFP) to potentially replace the current cogeneration turbines installed at the LAX CUP. However, during this time, new technology has emerged such as hydrogen-capable turbines, which would also require a change in the way these machines are serviced. Therefore, staff decided to take the time to conduct additional research and determine the viability of using newer, green technologies. Once this research is completed and a resulting new SOW and corresponding RFP process are completed, staff will request the Board to approve a new contract. Staff estimate that this procurement process will be complete by approximately Spring 2025.

5. Fiscal Impact

Costs incurred under this contract will be recovered through terminal rates and charges, landing fees, and non-aeronautical revenues. The use of the cogeneration turbines saves LAWA an estimated \$30,000 in utility costs daily by not having to purchase additional electricity from LADWP. A conservative estimate/calculation for FY 2021 shows that the CUP cost of fuel to produce electricity was \$2,444,499 (non-core gas) as opposed to the calculated cost of purchasing electricity from LADWP of \$7,570,316—which is approximately a 72 percent cost savings. Since the current contract's inception, approximately \$10,040,476 or 78 percent of the contract authority has been invoiced to-date, equivalent to \$152,279 per month on average.

6. Alternatives Considered

- **Conduct New Competitive Bid Process**

Staff continue to research options for new sustainable and green cogeneration turbine technology for the CUP to develop a new competitive RFP. Research conducted by LAWA staff has shown that there is a possibility that replacing the turbines may provide a solution to help LAWA reduce its carbon footprint by incorporating the latest compressed gas turbine technology. This procurement process will take over one year to obtain a new contract, and, if new turbines are procured, it will take additional time for installation. In the meantime, this amendment will ensure that LAWA can maintain the current turbines in a safe and efficient manner.

- **Take No Action**

If these two one-year options are not approved, then Solar Turbines will not be able to perform the required maintenance of the turbines before the authority expires. Los Angeles World Airports would then have to pay the LADWP for power to maintain air conditioning and heating for all terminals and other facilities.

APPROPRIATIONS

Funds for this contract are available in the Fiscal Year 2023-2024 Los Angeles World Airports Operating Budget in LAX Cost Center 1150070 – Central Utility Plant, Commitment Item 520 – Contractual Services. Funding for subsequent years will be requested as part of the annual budget process.

STANDARD PROVISIONS

1. This item, as a continuing administrative, maintenance and personnel-related activity, is exempt from California Environmental Quality Act (CEQA) requirements pursuant to Article II, Section 2.f of the Los Angeles City CEQA Guidelines. In addition, operation, repair, maintenance, or minor alteration of existing facilities of both investor and publicly-owned utilities, electrical power, natural gas, sewage, water, telephone, and mechanical systems serving existing facilities, including alterations to accommodate a specific use, is exempt from CEQA requirements pursuant to Article III, Class 1 (2).
2. The proposed document(s) is/are subject to approval as to form by the City Attorney.

3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373.
4. Solar Turbines, Inc. is required to comply with the provisions of the Living Wage/Worker Retention Ordinances.
5. This action is not subject to the provisions of the SBE/LBE/LSBE/DVBE Program.
6. Solar Turbines, Inc. is required by contract to comply with the provisions of the Affirmative Action Program.
7. Solar Turbines, Inc. has been assigned Business Tax Registration Certificate number 0002747073-0001-1.
8. Solar Turbines, Inc. is required by contract to comply with the provisions of the Child Support Obligations Ordinance.
9. Solar Turbines, Inc. has approved insurance documents, in terms and amounts, required on files with Los Angeles World Airports.
10. Pursuant to Charter Section 1022, staff determined the work specified on the proposed contract can be performed more feasibly or economically by an Independent Contractor than by City employees.
11. Solar Turbines, Inc. has submitted the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Solar Turbines, Inc. has been determined by Public Works, Office of Contract Compliance to be in full compliance with the provisions of the Equal Benefits Ordinance.
13. Solar Turbines, Inc. will be required to comply with the provisions of the First Source Hiring Program for all non-trade Airport jobs.
14. Solar Turbines, Inc. has submitted the Bidder Contributions CEC Form 55 and will comply with its provisions.
15. Solar Turbines, Inc. has submitted the Municipal Lobbying Ordinance CEC Form 50 and will comply with its provisions.
16. Solar Turbines, Inc. will comply with the provisions of the Iran Contracting Act.

**THIRD AMENDMENT TO BENEFICIAL USE SERVICE AGREEMENT/
CONTRACT NUMBER DA-5260 BETWEEN THE CITY OF LOS ANGELES
AND SOLAR TURBINES INCORPORATED**

This **THIRD AMENDMENT TO BENEFICIAL USE SERVICE AGREEMENT/** CONTRACT NUMBER DA-5260 (“Amendment”) is made and entered into as of this ____ day of _____, 2023 by and between the **CITY OF LOS ANGELES** ("City"), a municipal corporation, acting by order of and through its Board of Airport Commissioners (the "Board") of the Department of Airports (“Department” or “LAWA”) and **SOLAR TURBINES INCORPORATED** ("Contractor"). City and Contractor are collectively referred to as the “Parties.”

RECITALS

WHEREAS, City and Contractor entered into Los Angeles World Airports Beneficial Use Service Agreement/Contract Number DA-5260 (the “Contract”) to provide maintenance coordination/planning, remote trouble shooting and support, Remote Monitoring & Diagnostics, on-site maintenance and component replacement, scheduled maintenance inspections, replacement parts and repairs, generator inspections and engine exchange/overhaul for the two (2) co-generation turbines in the Airport Utilities Control Unit at Los Angeles International Airport on February 14, 2018; and

WHEREAS, the original funding for the Contract was for an amount not-to-exceed Seven Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$7,227,860.00); and

WHEREAS, the original term of the Contract was for five (5) years, commencing on February 14, 2018; and

WHEREAS, the Board approved a First Amendment to the Contract on November 4, 2021 to add funding in the amount of Two Million and 00/100 Dollars (\$2,000,000.00) for an amended overall Contract amount not- to-exceed Nine Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$9,227,860.00); and

WHEREAS, the Contract was also amended to add Equal Benefits Ordinance and Iran Contracting Act of 2010 provisions to the Administrative Requirements of the Contract; and

WHEREAS, the Board approved a Second Amendment to the Contract on November 3, 2022, which extended the term of the Contract for one (1) year through February 13, 2024, added an option for City to further extend the term of the Contract for an additional one (1) year, and added funding in the amount of Three Million and 00/100 Dollars (\$3,000,000.00) for an amended overall Contract amount not-to-exceed Twelve Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$12,227,860.00); and

WHEREAS, City wishes to exercise the option to extend the term of the Contract for one (1) year (*i.e.*, from February 13, 2024 to February 13, 2025), and add an option for City to further extend the term of the Contract for an addition one (1) year; and

WHEREAS, City also wishes to add funding in the amount of One Million and 00/100 Dollars (\$1,000,000.00) for an amended overall Contract Amount not-to-exceed increase the not-to-exceed Thirteen Million Two Hundred Twenty Seven Thousand Eight Hundred Sixty and 00/100 Dollars (\$13,227,860.00); and

NOW, THEREFORE, in consideration of the premises and of the terms, covenants and conditions hereinafter contained to be kept and performed by the respective parties hereto, the parties do mutually agree that the Contract is HEREBY AMENDED AS FOLLOWS:

AMENDMENT

Amendment Section 1. Section 1.2 of the Contract titled “TERM” is amended and restated in its entirety as follows:

The term (“Term”) of this Agreement commenced on February 14, 2018 and, pursuant to a Second Amendment was extended effective February 13, 2023 for an additional one (1) year (*i.e.*, February 13, 2023 to February 13, 2024), with the option to extend the term of the Contract for an additional one (1) year. City is exercising the option to extend the term of the Contract by one (1) year, from February 13, 2024 to February 13, 2025, subject, however, to earlier termination as specified in Section 4.5 of the Contract entitled “Termination.” City shall also have, at the sole discretion of the Chief Executive Officer

of LAWA, or his or her designee (“CEO”), the option to extend the term of the contract for one (1) additional year (i.e., from February 13, 2025 to February 13, 2026). In order to be effective, City’s exercise of such option by the CEO shall be in writing.

Amendment Section 2. Section 1.5 of the Contract titled “PRICING” shall be amended and restated in its entirety as follows:

Solar shall charge, and Customer shall pay, the prices and rates stated in Section 3.0 , *‘Pricing and Commercial Considerations’*, but in no event, shall the total not-to-exceed amount of this contract exceed \$13,227,860.00.

Amendment Section 3. Except as specifically provided herein, this Amendment shall not in any manner alter, change, modify, or affect any of the rights, privileges, duties, or obligations of either of the parties hereto, under, or by reason of said Contract, as amended.

Execution. This Amendment and any other document necessary for the consummation of the transaction contemplated by this Amendment may be executed in counterparts, including counterparts that are manually executed and counterparts that are in the form of electronic records and are electronically executed. An electronic signature means a signature that is executed by symbol attached to or logically associate with a record and adopted by a party with the intent to sign such record, including facsimile or e-mail signatures. All executed counterparts shall constitute one Amendment, and each counterpart shall be deemed an original. The parties hereby acknowledge and agree that electronic records and electronic signatures, as well as facsimile signatures, may be used in connection with the execution of this Amendment and electronic signatures, facsimile signatures or signatures transmitted by electronic mail in so-called PDF format shall be legal and binding and shall have the same full force and effect as if a paper original of this Amendment had been delivered that had been signed using a handwritten signature. All parties to this Amendment (i) agree that an electronic signature, whether digital or encrypted, of a party to this Amendment is intended to authenticate this writing and to have the same force and effect as a manual signature; (ii) intended to be bound by the signatures (whether original, faxed, or electronic) on any document sent or delivered by facsimile or electronic mail or other electronic means; (iii) are aware that the other party(ies) will rely on such signatures; and, (iv) hereby waive any defenses to the enforcement of the terms of this Amendment based on the foregoing forms of signature. If this Amendment has been executed by electronic signature, all parties executing this document are expressly consenting, under the United States Federal Electronic Signatures in Global and National Commerce Act of 2000 (“E-SIGN”) and the California Uniform Electronic Transactions Act (“UETA”) (California Civil Code §1633.1 et seq.), that a signature by fax, e-mail, or other electronic means shall constitute an Electronic Signature to an Electronic Record under both E-SIGN and UETA with respect to this specific transaction.

[Remainder of This Page Intentionally Left Blank; Signature Page Follows]

IN WITNESS WHEREOF, City has caused this Amendment to be executed, by the CEO, and Contractor has caused the same to be executed by its duly authorized officers and its corporate seal to be hereunto affixed, all as of the day and year first hereinabove written.

APPROVED AS TO FORM:

Hydee Feldstein Soto,
City Attorney

CITY OF LOS ANGELES

Date: _____


By: _____
Interim Chief Executive Officer
Department of Airports

By: _____
Deputy City Attorney

By: _____
Chief Financial Officer
Deputy Executive Director
Department of Airports


ATTEST:

SOLAR TURBINES INCORPORATED

By:  _____
Signature
Barry Foster

Print Name
Sales Application Engineer

Print Title

By:  _____
Signature
Gareth JONES

Print Name
Global Sales Manager

Print Title