

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: March 29, 2022

CAO File No.: 0150-12018-0000

Council File No.:

Council District:

To: The Mayor

From: Matthew W. Szabo, City Administrative Officer

Reference: Communication from the Department of Water and Power dated December 30, 2021; referred by the Mayor for report on January 11, 2022

Subject: **ORDINANCE REQUESTING CITY COUNCIL APPROVAL TO USE A COMPETITIVE SEALED BID PROPOSAL METHOD TO ESTABLISH ENGINEER-PROCURE-CONSTRUCT CRITERIA FOR THE HAYNES GENERATING STATION UNIT 8 RECYCLED WATER COOLING SYSTEM RETROFIT PROJECT**

RECOMMENDATION

That the Mayor:

1. Approve the proposed Resolution and Ordinance for the Haynes Generating Station Unit 8 Recycled Water Cooling System Retrofit to:
 - a) Establish criteria by ordinance authorizing the Los Angeles Department of Water and Power to use a competitive sealed bid proposal method in accordance with Charter Section 371 (b); and,
 - b) Award in whole or in part an Engineer-Procure-Construct contract for the design engineering, procurement, and construction of a wet cooling system consisting of a cooling tower and associated infrastructure, integration of a new cooling system with existing equipment, addition of station service voltage transformer, demotion of the Once-Through-Cooling (OTC) piping and associated equipment, modernization of the existing storm water and waste water systems, and hazardous material abatement and disposal as required; and,
2. Return the proposed Resolution and Ordinance to the Department for further processing, including Council consideration, and approval by a two thirds vote pursuant to Charter Section 371(b) and 674.

SUMMARY

The Los Angeles Department of Water and Power (LADWP) requests approval of a proposed Resolution and Ordinance, authorizing the establishment of criteria using a competitive sealed bid proposal method to award an Engineer-Procure-Construct (EPC) contract for the Haynes Generating Station Unit 8 Recycled Water, Cooling system Retrofit Project to design, engineer, procure, and construct a wet

cooling system consisting of a cooling tower and associated infrastructure, integration of a new cooling system with existing equipment, addition of station service voltage transformer, demotion of the existing OTC piping and associated equipment, modernization of the existing storm water and waste water systems, and hazardous material abatement and disposal to allow continued operation of Unit 8 to ensure compliance with statewide water OTC policy by 2029.

LADWP intends to award contract(s) in whole or in part, to highly specialized contractors with experience in designing, engineering, procuring, and constructing wet cooling systems for comparable projects. The Department seeks approval to complete this work by contract due to the complexity of the Project, and lack of specialized expertise to perform the scope of work.

Approval of the proposed Resolution, and accompanying Ordinance, will specifically authorize the Department to (1) establish criteria under a competitive sealed bid proposal to award an EPC contract for the Project; (2) permit negotiations after proposals have been submitted to allow clarifications and changes to the proposals; and (3) award in whole or in part an EPC contract for the Project. The estimated cost of the Project is \$130 million with a term which will not exceed five years in accordance with criteria outlined in Charter Section 371(b). The Department asserts that a competitive sealed proposal method with negotiations is necessary as the project requires specialized expertise. LADWP reports that approval of this Ordinance does not authorize the Project and that Board of Water and Power Commissioner approval is required to issue the Notice to Proceed.

The City Attorney has approved the proposed Resolution and Ordinance as to form and legality.

BACKGROUND

In 2010, the State Water Resources Control Board adopted the statewide Water Quality Control Policy on the Use of Coastal and Estuarine Waters for Power Plant Cooling or OTC systems. The OTC Policy establishes uniform, technology-based standards to implement the federal Clean Water Act to reduce the harmful effects associated with cooling water intake structures on marine and estuarine life while also ensuring that the electrical power needs essential for the welfare of the citizens of the State are met. This proposed Project will ensure that continued operations are in compliance with the State's OTC Policy. LADWP has established a goal of eliminating the use of OTC by December 31, 2029.

In addition, LADWP has identified the Haynes Unit 8 Recycled Water, Cooling System Retrofit Project as critical to achieving its clean energy goal as part of LA's Green New Deal and the Mayor's Clean Grid LA Plan.

Engineer-Procure-Construct Option

Under the proposed competitive sealed method, an agreement would be awarded utilizing an EPC project delivery method for the design, engineering, procurement and construction, of a wet cooling system and associated infrastructure, integration of a new cooling system with existing equipment, addition of station service voltage transformer, demotion of the OTC piping and associated equipment, modernization of the existing storm water and waste water systems, and hazardous material abatement and disposal as required. The criteria for this agreement will permit LADWP to award an EPC contract in whole or in part

to a bidder specialized in constructing comparable projects. Under this competitive sealed method, negotiations are permitted after proposal submissions have been opened to allow clarification and changes in the proposal. The Ordinance will authorize a contract term not to exceed five years. The total project cost is estimated at approximately \$130 million. The Local Business Preference shall be applied where a qualified bidder or qualifying subcontractor is awarded additional points for being located in the County of Los Angeles. Consistent with Charter Section 371(b) competitive bidding requirements, this method may be used when supported by a written finding and statement of facts, that adherence to the rule that the award be made to the lowest responsive and responsible bidder is not practicable or advantageous, and approved by the contracting authority.

The LADWP seeks to complete this work by contract due to its complexity, and lack of expertise to perform the scope of work. However, LADWP staff intends to operate and maintain the Haynes Generating Station Units 8 – 10, once construction is complete. The project is anticipated to start construction in early 2025, and should be completed in 2027. Funds are budgeted in Fiscal Years 2021-22 and 2022-23 in the amount of \$1.2 million and \$2.6 million respectively. These funds are required for work related to the California Environmental Quality Act (CEQA) and environmental review process, permitting, development of the bid, and project management duties.

City Council approval by Ordinance is required pursuant to Charter Section 371(b) and requires a vote of two thirds by City Council approving the competitive sealed bid proposal method, and under Section 674 to grant power to the Board to let a contract for a project transmitting electrical energy. There is no time limit on this action due to the Ordinance approval requirement.

FISCAL IMPACT STATEMENT

Approval of the proposed Resolution and Ordinance will not have a fiscal impact. However, the ensuing contract will result in a total expenditure estimated at \$130 million. Funding will be provided from the Power Revenue Fund's Adopted Budget for this Project in subsequent years should it be approved. Approval of the proposed Resolution and Ordinance will have no impact on the City's General Fund. The proposed request complies with the LADWPs adopted Financial Policies.

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