

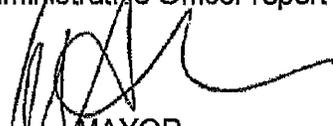
0150-10775-0001

TRANSMITTAL

TO Martin L. Adams, General Manager Los Angeles Department of Water and Power	DATE 05/10/2022	COUNCIL FILE NO.
FROM The Mayor	COUNCIL DISTRICT All	

ORDINANCE REQUESTING CITY COUNCIL APPROVAL TO USE A COMPETITIVE SEALED BID PROPOSAL METHOD TO ESTABLISH ENGINEER-PROCURE-CONSTRUCT CRITERIA FOR THE SCATTERGOOD UNITS 1 & 2 GREEN HYDROGEN MODERNIZATION PROJECT

Approved and transmitted for further processing including Council consideration.
See the City Administrative Officer report attached.


MAYOR
(Andre Herndon for)

MWS:IR:10220086

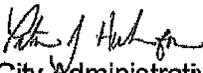
REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: May 2, 2022

CAO File No.: 0150-10775-0001
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 SCATTERGOOD UNITS 1 AND 2 GREEN HYDROGEN READY MODERNIZATION PROJECT**

RECOMMENDATION

That the Mayor:

1. Approve the proposed Resolution and Ordinance for the Scattergood Units 1 and 2 Green Hydrogen Ready Modernization Project 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 an Engineer-Procure-Construct contract for the procurement, manufacturing and construction of fuel-flexible combustion turbine generators capable of utilizing green hydrogen; and the design, engineering, procuring and constructing of power generation stations; 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 Scattergood Units 1 and 2 Green Hydrogen Ready Modernization Project to award a bidder specialized in the manufacturing and construction of fuel-flexible combustion turbine generators capable of utilizing green hydrogen. The Ordinance will authorize a term of five years for the contract. LADWP intends to award a contract in whole to a highly specialized

contractor in the procurement and manufacturing of fuel-flexible combustion turbine generators capable of utilizing green hydrogen; and experience in designing, engineering, procuring, and constructing of power generation stations. Due to the complexity of the Project, long equipment lead times, and the inclusion of warranties, the Department seeks approval to complete this work by contract.

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 an EPC contract for the Project. The estimated cost of the Project is \$800 million (excluding the cost of hydrogen) 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.

The proposed project is subject to the California Environmental Quality Act (CEQA) and a final determination regarding the proposed project will be subject to approval by the Board of Water and Power Commissioners. The review and permitting process is not expected to be completed until the Second Quarter of 2024.

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

BACKGROUND

The State Water Resources Control Board adopted the statewide Water Quality Control Policy in 2010 on the Use of Coastal and Estuarine Waters for Power Plant Cooling or Once-Through-Cooling (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. This Project also complies with SB 100 to have eligible renewable energy resources and zero-carbon resources supply 100 percent of retail sales of electricity to California end use customers and 100 percent of electricity procured to serve all state agencies by 2045.

Lastly, in addition, LADWP has identified the Scattergood Units 1& 2 Green Hydrogen Ready Modernization Project as part of LA 100 Next Steps as part of the LA 100 Study to meet the renewable energy goals to be 100 percent carbon-free by 2035.

Engineer-Procure-Construct Option

Under the proposed competitive sealed method, an agreement would be awarded utilizing an EPC project delivery method to award a bidder specialized in the manufacturing and construction of fuel-flexible combustion turbine generators capable of utilizing green hydrogen, and for the design, engineering, procurement and construction, of power generation stations. The criteria for this agreement will permit LADWP to award an EPC contract in whole 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 \$800 million (excluding the cost of hydrogen). LADWP has clarified that generation, storage, and transportation of hydrogen is not part of this scope of work. 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, long equipment lead times, and inclusion of warranties and lack of expertise to perform the scope of work. However, LADWP staff intends to operate and maintain the Scattergood Units, once construction is complete. The project is anticipated to start construction in early 2025, and should be completed in 2029. Funds are budgeted in Fiscal Years 2021-22 and 2022-23 in the amount of \$600,000 and \$1.5 million respectively. These funds are required for progressing the Environmental Impact Report, permitting, site investigation, 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 \$800 million (excluding the cost of hydrogen). 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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