



023 077
RESOLUTION NO. _____

BOARD LETTER APPROVAL

A blue ink signature of Brian J. Wilbur, consisting of a stylized 'B' and 'J' followed by a horizontal line.

BRIAN J. WILBUR
Interim Senior Assistant General Manager
Power System – Engineering, Planning, and
Technical Services

A blue ink signature of Martin L. Adams, consisting of a stylized 'M' and 'A' followed by a horizontal line.

MARTIN L. ADAMS
General Manager and Chief Engineer

DATE: September 29, 2022

SUBJECT: Amendment No. 1 to Agreement No. 47430 for Welding Preheat and Postweld Heat Treatment Services with Superheat FGH Services, Inc.

SUMMARY

The proposed Amendment No. 1 (Amendment) to Agreement No. 47430 (Agreement) for Professional Services with Superheat FGH Services, Inc. (Superheat) is to increase the Agreement not-to-exceed amount from \$1,200,000 to \$3,200,000 (budgeted). All other terms and conditions of the Agreement remain unchanged.

The Agreement with Superheat provides welding preheat and postweld heat treatment services, also known as heat treatment services, which are required when welding steel and alloy steel piping, valves, boilers, and pressure vessels at the Los Angeles Department of Water and Power (LADWP) facilities including Harbor, Haynes, Scattergood, and Valley Generating Stations. The strength and integrity of the welds for new construction and repairs depend on proper heat treatment as required by LADWP Welding Procedure Specifications, American Society of Mechanical Engineers (ASME) Boiler and Pressure Vessel Code, and ASME B31.1 Power Piping Code.

Due to an increase of renewable energy to LADWP's energy portfolio, previously base loaded generating stations are now cycled to accommodate the use of renewable energy when it is available. Piping, valves, boilers, and pressure vessels not designed for cycling endure greater stress and fatigue resulting in accelerated failure rates. These changed factors have caused the Agreement's expenditure rate to out-pace the Agreement's duration.

City Council approval is required according to Charter Section 373.

RECOMMENDATION

It is requested that the Board of Water and Power Commissioners (Board) adopt the attached Resolution recommending City Council's approval of the Amendment for the Agreement with Superheat as required in Charter Section 373.

ALTERNATIVES CONSIDERED

An alternative to this Agreement is to issue one-time purchase orders under the General Manager's authority for heat treatment services on an as-needed basis. However, this alternative is not feasible and would leave LADWP vulnerable should heat treatment services be required for emergency repairs. These services usually require a 48-hour response time and utilizing the one-time purchase order process would not allow a purchase order to be issued within the required time.

FINANCIAL INFORMATION

The Amendment will increase the Agreement amount by \$2,000,000 to a new not-to-exceed amount of \$3,200,000 (budgeted). The Agreement expiration date of April 9, 2025 will not change.

Agreement No.	Original Maximum Expenditure	Requested Amendment No. 1	Amended Maximum Expenditure
47430	\$1,200,000	\$2,000,000	\$3,200,000

Prices under the Amendment will remain the same. Rates are subject to an annual increase of one percent (rounded up to nearest dollar) only for the first and second optional renewal periods, making the current rates still highly competitive.

BACKGROUND

On March 13, 2018, the Board adopted Resolution No. 018 167, awarding the Agreement to Superheat for a term of five years with two one-year renewal options, and a not-to-exceed amount of \$1,200,000.

Factors used in 2016 to determine the original not-to-exceed amount estimate included existing operational conditions, normal failure frequencies, and previous historical expenditures. Changes in these factors during the implementation of the Agreement have occurred. With the increase of renewable energy to LADWP's energy portfolio, gas-fired generating stations which were designed to be base loaded, are now cycled to accommodate the use of renewable energy when it is available. Piping, valves, boilers, and pressure vessels not designed for cycling endure greater stress and fatigue resulting in accelerated weld failure rates.

These changed factors have caused the Agreement's expenditure rate to out-pace the Agreement's duration. An increase in the not-to-exceed amount is needed to keep pace with the Agreement's duration.

Superheat has performed satisfactorily under the current Agreement.

In accordance with the Mayor's Executive Directive No. 4, the City Administrative Officer's (CAO) Report was approved on September 26, 2022.

ENVIRONMENTAL DETERMINATION

Determine item is exempt pursuant to California Environmental Quality Act (CEQA) Guidelines Section 15060 (c)(3). In accordance with this section, an activity is not subject to CEQA if it does not meet the definition of a project. Section 15378 (b)(4) states that government fiscal activities which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment do not meet that definition. Therefore, the amendment of a contract to provide heat treatment services at several LADWP generating stations is not subject to CEQA.

ATTACHMENTS

- Procurement Summary
- Resolution
- Amendment No. 1
- CAO Report