



REGULAR MEETING OF THE
MUNICIPAL SERVICES COMMITTEE
Tuesday, July 24, 2012, 4:00 P.M.
100 North Garfield Avenue, Pasadena, Council Chambers

AGENDA

1. **CALL TO ORDER/ROLL CALL**
2. **PUBLIC COMMENTS ON MATTERS NOT ON THE AGENDA**
3. **APPROVAL OF MINUTES** – June 12, 2012 – Regular Meeting*
4. **NEW BUSINESS**
 - A. Adopt a Resolution that Authorizes the City Manager or General Manager of the Water and Power Department to Execute Agreements with the California Independent System Operator (“CAISO”) as described herein in Order to Maintain and Optimize Participation in the CAISO Markets*
 - B. Authorization to Enter into a Contract with Wood Group GTS-Power Solutions for Providing Labor and Materials to Repair Gas Turbine Unit GT-1 at the Glenarm Power Plant*
5. **ADJOURNMENT**

Margaret McAustin, Chair
Municipal Service Committee

*Attachment

POSTING STATEMENT:

I HEREBY CERTIFY that this Agenda, in its entirety, was posted on the Council Chamber Bulletin Board S249, the bulletin board in the rotunda area at City Hall, 100 North Garfield Avenue, the City Clerk's Office, and a copy was distributed to the Central Library for posting on the 19th day of July, 2012 by 4:00 p.m.

Sharon Stovall

DISTRIBUTION:

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City Manager	Director of Public Works	Los Angeles Times	Neighborhood Connections
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**CITY OF PASADENA
REGULAR MEETING OF THE CITY COUNCIL
MUNICIPAL SERVICES COMMITTEE
JUNE 12, 2012
COUNCIL CHAMBERS
100 N. GARFIELD AVENUE (2ND FLOOR)**

OPENING The Chair, called the regular meeting of the Municipal Services Committee to order at 4:01 p.m.

ROLL CALL: Vice Mayor Margaret McAustin, Chair
Mayor Bill Bogaard (Absent)
Councilmember Terry Tornek

Staff: Julie Gutierrez, Assistant City Manager
Phyllis Currie, General Manager of Water and Power
Siobhan Foster, Director of Public Works
Lisa Hosey, Deputy City Attorney
David Kimbrough, Water Quality Manager
Dan Rix, City Engineer
Steve Walker, Design Engineer
Sandra Robles, Recording Secretary

PUBLIC COMMENT No one appeared for public comment.

APPROVAL OF MINUTES It was moved by Councilmember Tornek, seconded by the Chair, to approve the minutes of May 22, 2012, as submitted. (Motion unanimously carried)
(Absent: Mayor Bill Bogaard)

NEW BUSINESS **ADOPT A RESOLUTION TO DESIGNATE AUTHORIZED REPRESENTATIVE TO CONDUCT TRANSACTIONS AND SUBMIT REPORTS RELATED TO THE GREENHOUSE GAS EMISSION CAP AND TRADE PROGRAM PURSUANT TO ASSEMBLY BILL 32**

Phyllis Currie, General Manager of the Water and Power Department, summarized the agenda report as part of a PowerPoint presentation, and responded to questions.

Following a brief discussion, it was moved by Councilmember Tornek, seconded by the Chair, to approve the staff recommendation and forward the item to the City Council for consideration. (Motion unanimously carried) (Absent: Mayor Bill Bogaard)

INFORMATION ITEMS **CONSUMER CONFIDENCE REPORT AND PERCHLORATE UPDATE**

David Kimbrough, Water Quality Manager, provided an oral report summarizing the Consumer Confidence Report, and provided a PowerPoint presentation update of the Perchlorate statistical data in the water wells and ground water, and responded to questions.

In response to the Chair's inquiry of an updated copy of the Consumer Confidence report, Ms. Currie, informed the Committee that a new report will be published and distributed by June 30, 2012. In addition, Ms.

Currie responded to questions regarding water testing.

Following discussion, on the order of the Chair, and by consensus of the Committee, the information was received and filed.

SEWER MASTER PLAN UPDATE (PUBLIC WORKS)

Steve Walker, Design Engineer, provided a PowerPoint presentation update of the Master Sewer Plan (MSP), including background information, capital improvement plans, map of deficiencies, and responded to questions.

Dan Rix, City Engineer, provided information regarding possibility of amending the sewer rates to complete capital improvements

Following discussion, on the order of the Chair, and by consensus of the Committee, the information was received and filed.

The Chair expressed her concerns regarding the City's need to increase public knowledge and information about multi-family unit trash bin recycling.

In response to the Chair's concerns, Siobhan Foster, Director of Public Works, responded that a comprehensive public education program is currently being developed and staff will provide a presentation in the summer of 2012

ADJOURNMENT

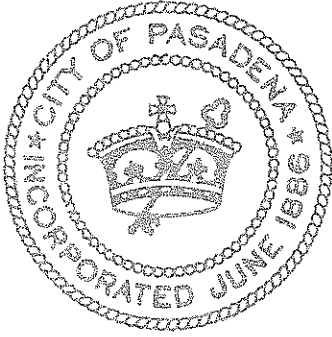
On the order of the Chair, the regular meeting of the Municipal Services Committee was adjourned at 4:40 p.m.

MARGARET McAUSTIN, Chair
Municipal Services Committee

ATTEST:

Sandra S. Robles
Recording Secretary

4.A



Agenda Report

July 30, 2012

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (July 24, 2012)

FROM: Water and Power Department

SUBJECT: ADOPT A RESOLUTION THAT AUTHORIZES THE CITY MANAGER OR GENERAL MANAGER OF THE WATER AND POWER DEPARTMENT TO EXECUTE AGREEMENTS WITH THE CALIFORNIA INDEPENDENT SYSTEM OPERATOR ("CAISO") AS DESCRIBED HEREIN IN ORDER TO MAINTAIN AND OPTIMIZE PARTICIPATION IN THE CAISO MARKETS

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15061(b)(3) (General Rule);
2. Adopt a resolution that authorizes the City Manager or General Manager of the Water and Power Department ("PWP") to execute agreements with the CAISO as described herein in order to maintain and optimize participation in the CAISO markets.

EXECUTIVE SUMMARY:

The CAISO provides a number of energy market services that are necessary for PWP to reliably and cost-effectively deliver electrical energy service to its customers and meet various operational and regulatory requirements. The CAISO provides these services pursuant to agreements with the City of Pasadena that are governed by the Federal Energy Regulatory Commission ("FERC"). Over the years, the City Council has granted authority for the City Manager to sign certain new or amended contracts, and for the PWP General Manager to sign other contracts with the CAISO and conduct various types of transactions in CAISO-operated markets.

The CAISO agreements reference FERC-approved CAISO tariffs that provide detailed terms and conditions of the services. At any time, FERC may order or authorize

changes to these agreements and/or tariffs. In order to maintain the benefits of operating within the CAISO-controlled electric grid and fully participate in CAISO markets, PWP must occasionally sign amended, restated, or even new agreements with the CAISO.

The recommended resolution will consolidate and clarify the existing authority of the City Manager or General Manager to:

1. Sign amendments to existing agreements with the CAISO and
2. Sign new agreements that replace existing agreements with the CAISO.

In addition, the recommended resolution will authorize the City Manager or General Manager to:

3. Sign new agreements with the CAISO that are required by the CAISO or FERC in order to maintain PWP's ability to participate in CAISO markets as necessary and
4. Sign new agreements with the CAISO that are required by the CAISO or FERC to utilize new services offered by the CAISO, provided such services are consistent with transactional authority previously granted by the City Council pursuant to other resolutions. The City Council has previously granted authority for services involving energy, capacity, transmission, natural gas, renewable energy credits, emissions credits, and/or adopted energy risk management policies.

The resolution would not authorize the signing of contracts for energy commodities or services that have not otherwise been authorized by the City Council. Furthermore, if a proposed agreement, revision to an existing agreement, or implementation of a new regulatory command appears detrimental to PWP ratepayers, staff will return to the City Council with appropriate recommendations to address the City's concerns before taking any action.

BACKGROUND:

Since the initial operation of the CAISO in April, 1998, PWP has increasingly relied on the CAISO markets and grid operation services. As a CAISO market participant, PWP has access to a greater variety of spot market energy resources and the ability to sell excess generation capacity. By relying on the CAISO's grid operation services, PWP can rely on the entire grid to back up Pasadena's generation resources. This allows Pasadena to operate its local generation only when necessary to ensure reliability or when it is economical to do so. By sharing PWP's transmission entitlements with the CAISO, PWP customers save about ten million dollars per year. There are no short-term alternatives to continued operation within CAISO markets. Developing an alternative would take many months or years and have significant infrastructure, operational, and economic impacts on PWP.

Existing Authorizations for CAISO Contracts and Related Transactions

Since July 1998, the City Council has granted authority to the City Manager or the General Manager of PWP to sign various new or amended contracts with the CAISO and conduct various types of transactions in CAISO-operated markets. These authorizations facilitate the buying and selling of electric energy, transmission, control area ancillary services, and planning capacity products necessary for PWP to continue performing utility operations under California’s restructured electric energy markets. Table 1 provides a summary of contracts and services for which the City Council has previously approved signature authority for the City Manager and/or General Manager.

<p style="text-align: center;">Table 1 CAISO Contract or Related Energy Transactions</p>	<p style="text-align: center;">Authorizing Document(s)</p>
<ul style="list-style-type: none"> • Utility Distribution Company Operating Agreement • Participating Generator Agreement • Meter Service Agreement • Scheduling Coordinator Agreement • Reliability Must Run Agreement 	<p>Agenda Report Dated July 13, 1998*; Agenda Report Dated June 28, 2004 authorized signing amendments**</p>
<ul style="list-style-type: none"> • Metered Subsystem Agreement 	<p>Agenda Report Dated June 28, 2004**</p>
<ul style="list-style-type: none"> • Transmission Control Agreement • Filing Transmission Revenue Requirements and Transmission Owner Tariff 	<p>Agenda Report Dated October 4, 2004**;</p>
<ul style="list-style-type: none"> • Electrical energy, capacity, and transmission of electrical energy or capacity or both; • Electric generation and transmission capacity for planning and compliance purposes within the CAISO markets 	<p>Resolution 4184-2 Amended 10-22-2007*</p>
<ul style="list-style-type: none"> • Purchases, sales, exchanges, and participation in auctions of Congestion Revenue Rights (CRR's) for use in CAISO operated transmission markets 	<p>Resolution 8965 Dated 8-3-2009*</p>

* Authority granted to PWP General Manager

** Authority granted to City Manager

Authorization to Sign Amendments or Replacement Agreements

The CAISO has issued new or restated agreements to replace many of the existing agreements in conformance with FERC-approved CAISO tariff changes. PWP must sign these agreements to continue taking service from the CAISO.

While the City Council’s authorization of the Metered Subsystem Agreement in 2004 authorized the City Manager to sign periodic amendments to any existing agreements with the CAISO, it is not clear whether such authority extends to the “replacement” contracts prepared by the CAISO.

The proposed Resolution is intended to consolidate the authorization to sign new, amended, or replacement contracts with the CAISO into a single document by Resolution. The Resolution will further clarify that either the City Manager or General Manager of PWP may sign such contracts, providing for flexibility and timeliness in the contract signature process.

Authorization to Sign New Agreements Consistent with Other Authorizations

The proposed resolution will authorize signing new agreements with the CAISO that are required to utilize new services offered by the CAISO, provided such services are consistent with transactional authority previously granted by the City Council pursuant to other resolutions, such as those listed in Table 2.

Table 2

Energy Related Transaction and Contract Authority	Authorizing Document(s)
<ul style="list-style-type: none"> • Purchase and sale of air emissions credits (NOx and SOx) 	Resolution 7452 Dated 12-16-1996*
<ul style="list-style-type: none"> • Purchase and sale of natural gas commodity and other petroleum products used for generation resources • Gas transaction master enabling agreements (e.g., NAESB, bilateral) 	Resolution 8243 Dated 5-12-2003*
<ul style="list-style-type: none"> • Electrical energy, capacity, and transmission of electrical energy or capacity or both; • Electric generation and transmission capacity for planning and compliance purposes within the CAISO markets 	Resolution 4184-2 Amended 10-22-2007* to include CAISO capacity products
<ul style="list-style-type: none"> • Environmental attributes such as Renewable Energy Credits, green tags, carbon credits, and any other environmental attributes as may be defined in the future • Carbon-related permits, credits, allowances, certificates, offsets and similar instruments 	Resolution 9063 Dated 10-4-2010*

* Authority granted to PWP General Manager

These types of “blanket transactional authorities” have proven to be effective and increasingly necessary to ensure that PWP can efficiently operate the electric utility.

COUNCIL POLICY CONSIDERATION

The proposed resolution is consistent with the City Council’s goal to maintain fiscal responsibility and stability and to improve, maintain and enhance public facilities and infrastructure.

ENVIRONMENTAL ANALYSIS:

The proposed resolution has been determined to be exempt from the CEQA process pursuant to State CEQA Guidelines Section 15061(b)(3), the general rule that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Further, while no physical construction is contemplated by the actions proposed in this staff report, further CEQA review may apply to construction projects in the future.

FISCAL IMPACT:

There are no anticipated direct fiscal impacts as a result of this action; however, the proposed resolution may enable PWP to maintain or increase its ability to participate in CAISO markets in order to reduce energy procurement costs or increase revenues from excess resources. There will be no indirect or support cost requirements. There are no anticipated impacts to other operational programs or capital projects as a result of this action.

Respectfully submitted,

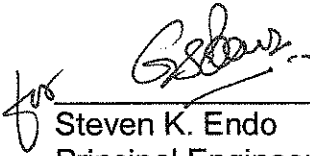


PHYLLIS E. CURRIE

General Manager

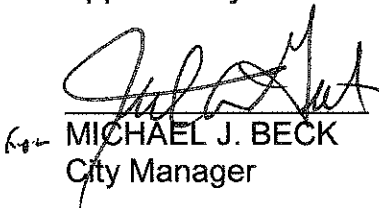
Water and Power Department

Prepared by:



Steven K. Endo
Principal Engineer

Approved by:



MICHAEL J. BECK
City Manager

Attachments:

Attachment A – Proposed Resolution

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASADENA
AUTHORIZING THE CITY MANAGER OR GENERAL MANAGER OF THE
WATER AND POWER DEPARTMENT TO EXECUTE AND IMPLEMENT
AGREEMENTS WITH THE CALIFORNIA INDEPENDENT SYSTEM
OPERATOR**

WHEREAS, On July 13, 1998, the City Council authorized the General Manager of the Pasadena Water and Power Department ("PWP") to enter into agreements with the California Independent System Operator ("CAISO") to establish Pasadena as a participant within the CAISO control area, allow Pasadena's generators to bid ancillary services into the CAISO market, and submit energy and transmission schedules to the CAISO on behalf of Pasadena, enabling Pasadena to operate as part of the CAISO-controlled transmission grid and participate in CAISO-operated wholesale energy markets; and

WHEREAS, On June 28, 2004, the City Council authorized the City Manager to enter into a Metered Subsystem Agreement with the CAISO and to sign amendments to existing agreements with the CAISO that may be required from time to time; and

WHEREAS, On October 4, 2004, the City Council authorized the City Manager to (1) enter into a Transmission Control Agreement, as may be modified periodically, with the CAISO and other Participating Transmission Owners, and (2) perform duties necessary to enable Pasadena to turn over operational control of its power transmission ownership, rights and entitlements to the CAISO, thus becoming a Participating Transmission Owner; and

WHEREAS, On October 22, 2007, the City Council adopted Resolution Number 4184-2 to, amongst other things, authorize the General Manager of the Water and Power Department to enter into contracts for the purchase or sale of electrical generation and transmission capacity used for compliance with CAISO agreements; and

WHEREAS, On August 3, 2009, the City Council adopted Resolution Number 8965 to authorize the General Manager of the Water and Power Department to enter into agreements for purchases, sales, exchanges, and participation in auctions of congestion revenue rights for use in CAISO-operated transmission markets; and

WHEREAS, The aforementioned agreements incorporate the CAISO tariff, as it may be amended from time to time subject to approval by the Federal Energy Regulatory Commission; and

WHEREAS, The CAISO has prepared new agreements to replace existing agreements in conformance with CAISO tariff changes; and

WHEREAS, The CAISO may develop new or amended agreements for energy-related products and services not contemplated under the current CAISO tariff or existing agreements; and

WHEREAS, All CAISO market participants, including the City of Pasadena, must sign said CAISO agreements in order to benefit from such CAISO services; and

WHEREAS, the City Council of the City of Pasadena desires that PWP continue to be afforded access to evolving CAISO market products and services necessary to reliably and economically provide electric service to its customers and the opportunity to enjoy the benefits thereof:

NOW, THEREFORE, BE IT RESOLVED as follows:

1. The City Manager or General Manager of the Water and Power Department is hereby authorized to enter into all electrical energy agreements and amendments thereto (the "Agreements") with the California Independent System Operator so long as the contracts are consistent with the authorizations described in the Agenda Report approved by the City Council on August 6, 2012, accompanying this Resolution.

2. The General Manager of the Water and Power Department is hereby authorized and directed to perform all actions necessary to implement and administer such Agreements.

3. The Agreements authorized hereunder are approved pursuant to Section 1001 of the City Charter.

4. The City Clerk is directed to attest his signature and affix the corporate seal of the City thereto.

5. The Director of Finance is hereby authorized and directed to expend out of the Light and Power Fund in accordance with the terms of the Agreements authorized hereunder and consistent with the provisions of the budget.

6. The Agreements authorized hereunder are exempt in whole from the requirements of the Affirmative Action in Contracting Ordinance, Chapter 4.09 of the Pasadena Municipal Code.

Adopted at the regular meeting of the City Council of the City of Pasadena on the ____ day of _____, 2012 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAINED:

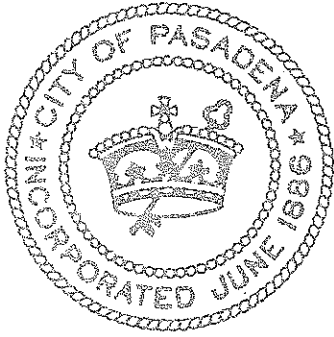
Mark Jomsky
City Clerk

APPROVED AS TO FORM:



Lisa Hosey
Deputy City Attorney

4.B



Agenda Report

July 30, 2012

TO: Honorable Mayor and City Council

THROUGH: Municipal Services Committee (July 24, 2012)

FROM: Water and Power Department

SUBJECT: AUTHORIZATION TO ENTER INTO A CONTRACT WITH WOOD GROUP GTS – POWER SOLUTIONS FOR PROVIDING LABOR AND MATERIALS TO REPAIR GAS TURBINE UNIT GT-1 AT THE GLENARM POWER PLANT

RECOMMENDATION:

It is recommended that the City Council:

1. Find that entering into a contract with Wood Group GTS – Power Solutions (Wood Group) for the proposed work herein is exempt from the California Environmental Quality Act ("CEQA") in accordance with CEQA Guidelines Section 15301, Existing Facilities; and Section 15302, Replacement or Reconstruction; and
2. Authorize the City Manager to enter into a contract with Wood Group to repair gas turbine Unit GT-1 ("GT-1") at the Glenarm Power Plant for an amount not-to-exceed \$13,228,515 without competitive bidding (City Charter Section 1002 (C), contracts for labor, material, supplies or services available from only one vendor), and grant an exemption from the Competitive Selection and Purchasing Ordinance pursuant to Pasadena Municipal Code Section 4.08.049 (B), contracts for which the City's best interests are served; and,
3. Authorize additional appropriation of \$5.3 million for Fiscal Year 2013 to the Power Fund Capital Improvement Budget Number 3182 GT-1 and GT-2 Renewals, Replacements and Improvements with funds to be provided by reimbursement from insurance proceeds.

BACKGROUND:

On May 4, 2010, the power turbine of GT-1 gas turbine had a catastrophic mechanical failure and the unit caught on fire. The damage rendered GT-1 inoperable. After the GT-1 incident, PWP evaluated twelve options ranging from repairs to replacement to

make up for the lost energy source (Exhibit1). Out of the short listed options covered within the terms of the insurance policy, the repair option was found to be the most cost efficient and acceptable to PWP and the insurance company.

GT-1 was insured for risk of physical damage with Lexington Insurance Company of London, United Kingdom ("Lexington"). On August 10, 2010, Lexington made a partial payment to Pasadena Water & Power ("PWP") for \$6,314,042 (after applying a \$100,000 deductible) to cover initial expenses for the repair of GT-1 as well as business loss. Lexington asked PWP to manage studies, permits, approvals and repairs, as necessary, on a cost reimbursable basis. As PWP's expenditures get closer to the initial payment of \$6,314,042, it will seek timely payments from Lexington so that PWP does not expend its own funds. In addition, the City will obtain Lexington's approval before making payments to contractor's invoices. PWP prepared and obtained a new air quality permit from the South Coast Air Quality District ("SCAQMD") on March 1, 2012. The air quality permit is a prerequisite to any repairs. Concurrently, PWP, in consultation with Lexington, was negotiating contract terms with Wood Group. The repair time is estimated to be about six months. The proposed contract has been approved by Lexington.

The power turbine that was damaged beyond repair is no longer manufactured. Wood Group, the successor to the original manufacturer of the damaged power turbine, is the only known firm that can provide a replacement power turbine with substantially similar operational and emissions characteristics. A substantially similar power turbine replacement is necessary to comply with the SCAQMD air quality permit limits. Hence, PWP and Lexington have collectively determined that Wood Group is in the best position to perform the repair work. Wood Group would also use subcontractors to repair other damaged parts.

Wood Group's proposed contract dated July 16, 2012 contains fixed price terms for turbine repairs, and time and material based work related to other damaged parts such as generator and selective catalytic reduction ("SCR") system. The firm price of \$9,004,573 includes the following: (i) supply and install refurbished power turbine, power turbine output shaft, exhaust plenum, and turbine base assembly; (ii) supply and install power turbine lube oil system; (iii) overhaul the existing engine; (iv) repair or replace burned cables, hoses, and other damaged turbine accessories within the gas turbine enclosure; and (v) furnishing of technical field support for the startup of GT-1.

Wood Group proposes to approach the SCR repair in two phases. Phase 1 includes SCR repair and adjustments to the system. In the event that emission limits on the air permit are not met after the Phase 1 work, Wood Group will commence the Phase 2 work that includes design and furnishing of new SCR systems and upgrade of the control system. The Wood Group proposal includes a guarantee for the air permit emission limits but does not provide a guarantee for performance and noise limits. If performance and noise limits are not met, PWP will negotiate with Lexington for cash settlement and/or reimbursement for corrective work.

To ensure that GT-1 is repaired to pre-incident operational condition, the City will contract with independent contractors to test air emissions, noise and overall performance. These contract amounts fall in \$12,000 to \$36,500 range and will be approved by staff pursuant to the City purchasing policies. These costs will be reimbursed by Lexington. The sales tax for the equipment estimated to be approximately \$436,196 will be remitted by the City to the State of California and in turn reimbursed by Lexington. The PWP in-house labor costs, such as project management, logistical support, electrical and mechanical work will be tracked through internal accounts for this project and will be reimbursed by Lexington.

The following table summarizes the total estimated costs to complete the repairs associated with the recommended contract:

Contract with Wood Group	FY 2013
Fixed Price to Repair GT-1	\$9,004,573
Reimbursable Expense- Electric Generator	\$665,658
Reimbursable Expense – Phase 1 SCR	\$750,000
Reimbursable Expense – Phase 2 SCR	\$1,907,735
Contingency	\$900,549
Sub-Total	\$13,228,515
Additional Project Cost	
Contract for regulatory emission test	\$36,500
Contract for noise acceptance test	\$21,000
Contract for performance acceptance test	\$12,000
Sales Tax	\$436,196
Internal Labor	\$86,237
Completed Contract Services	\$83,886
Expenses approved by Insurance up to May 1, 2012	\$732,116
Sub-Total	\$1,407,935
Total Fiscal Impact	\$14,636,450

COUNCIL POLICY CONSIDERATION:

This project is consistent with the 2012 Energy Integrated Resource Plan update and supports the City Council Strategic Goal to improve, maintain, and enhance public facilities and infrastructure. It also supports the Public Facilities Element of the General Plan by maintaining public facilities to enhance the quality of life of the community.

ENVIRONMENTAL ANALYSIS:

The repair of GT-1 has been determined to be categorically exempt in accordance with CEQA Guidelines Sections 15301, Existing Facilities and 15302, Replacement and Reconstruction. These exemptions allow for the maintenance, repair, minor alteration, etc. of existing facilities (including publically owned utilities that involves negligible or no expansion of use) and the replacement and reconstruction of existing facilities and structures, including utility systems where the replacement structure/facility will have substantially the same purpose and capacity. There will be no expansion of use or capacity as a result of the required repairs and maintenance on the existing GT-1 unit.

FISCAL IMPACT:

The total fiscal impact of this action is \$14,636,450. Following approval of the recommendation to authorize additional appropriation, there will be sufficient appropriations in the Power Fund Capital Improvement Budget Number 3182 GT-1 and GT-2 Renewals, Replacements & Improvements to cover anticipated expenditures.

Funding for this action will be addressed by the utilization of \$6,314,042 received from Lexington in FY 2011 as partial insurance payment and held in the Power Fund Capital Reserve, and the utilization of the balance of the insurance payments in the amount of \$8,322,408 expected from Lexington. Pending receipt of the balance of insurance payments from Lexington, PWP will advance funds from the unrestricted Power Fund Capital Reserve for work approved by Lexington. PWP will ensure timely reimbursement from Lexington to limit its advance payment and exposure.


It is anticipated that the entire cost of \$14,636,450 will be spent in FY 2013. There are no other anticipated impacts to other operational programs or capital projects as a result of this action.

Respectfully submitted,



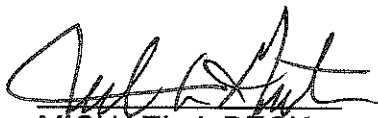
PHYLLIS E. CURRIE
General Manager
Water and Power Department

Prepared by:

for 

Dan Angeles
Principal Engineer
Power Supply Business Unit

Approved by:


MICHAEL J. BECK
City Manager

Attachment: Exhibit 1

Authorization to Enter Into Contract with Wood Group for GT-1Repair
 July 30, 2012

Exhibit 1: OPTIONS with GT-1 REPLACEMENT/REPAIR

OPTIONS with GT-1 REPLACEMENT/REPAIR		
	Options (based on cost, heat rate, reliability, and unit trip risk)	Total Estimated Cost
1	Repair existing GT-1	\$15M
2	Replace existing GT1 Engine with same capacity GE engine (LM 2500)	\$32 M
3	Replace existing GT1 & GT2 with same capacity GE gas turbine (LM 2500).	\$64 M
4	Replace existing GT1 with GE engine (LM 2500) and install heat recovery steam generator. Send the produced steam to the steam engine of the presently planned combined cycle installation (LM 6000PG + ST)	\$170 M
5	Install two GE gas turbines (LM 6000PC) and one steam turbine in combined cycle mode instead of the one gas turbine and one steam turbine in combined cycle mode as originally planned. Decommission GT1 & GT2.	\$206 M
6	Install one combined cycle plant (LM 6000PG + ST). Modify existing GT3 & GT4 to install Heat Recovery Steam Generator on each unit and send the steam to the steam turbine of the new combined cycle plant.	\$196 M
7	Install one 100 MW GE Gas Turbine in simple cycle mode (LMS 100). Decommission GT1 and continue operating GT2	\$121 M
8	Install one 100 MW GE Gas Turbine in combined cycle mode. Decommission GT1 & GT-2.	\$166 M
9	Install one 100 MW GE gas turbine in simple cycle mode (LMS 100). Replace existing GT1 with new GE gas turbine in simple cycle mode and decommission GT2.	\$148 M
10	Install two GE gas turbine (LM 2500+G4) with one steam turbine on combined cycle mode. Decommission GT1 and continue operating GT2.	\$177 M
11	Continue with the installation of planned combined cycle (LM 6000PG + ST). Decommission GT-1 and continue to operate GT2.	\$116 M
12	Continue with the installation of planned combined cycle (LM 6000PG + ST). Replace existing GT1 & GT2 with one GE Simple Cycle gas turbine (LM 6000PG).	\$196 M