



Agenda Report

19-1305

Agenda Date: 12/10/2019

REPORT TO COUNCIL

SUBJECT

Action to Authorize the City Manager to Execute Amendments and Change Orders to Existing Agreements and/or Execute New Agreements as Required to Complete Unanticipated Maintenance and Repairs at the Donald Von Raesfeld Power Plant (DVR) and Approve Related Budget Amendment

BACKGROUND

The City of Santa Clara's Electric Utility, Silicon Valley Power (SVP) operates three power generation facilities within the city limits: the Donald Von Raesfeld (DVR) Power Plant, the City of Santa Clara Cogeneration Plant, and the Gianera Generating Station. The DVR facility is the main plant and is comprised of two gas turbines and one steam turbine with a total electric power capacity of 147 megawatts.

On October 31, 2019, a planned outage began at the DVR Power Plant to perform various plant maintenance, repairs, and upgrades to ensure continued operation and long-term reliability.

Mitsubishi Steam Turbine and Generator

In August 2019, the City Council authorized the City Manager to execute an agreement with EthosEnergy Field Services, LLC to perform a major overhaul of the Mitsubishi Steam Turbine and Generator. EthosEnergy was selected through a competitive Request for Proposal process.

The overhaul includes refurbishing, repairing, cleaning, and inspecting the Turbine rotor, the Generator rotor and stator, and all other major components. The not-to-exceed contract amount of \$4,538,057 included an estimated amount for repairs pending "as-found" inspection findings. The estimate was based on repair work generally found in similar overhauls of this vintage and type.

During inspection, the insulation system between the stator iron core and the copper windings was found to be compromised in six areas. Staff is consulting with Generator experts to determine the appropriate repair plan which may include replacing major components. This work was not previously expected and the timeline for the repairs is still being developed. Additional future Outages may be required to support the repair plan. This will increase the operating costs since the DVR Power Plant was anticipated to be returned to service prior to the end of 2019.

General Electric Gas Turbines

During the outage, staff planned an inspection of the two General Electric (GE) gas turbines to be done by an authorized GE inspector. During the inspection, it was found that one of the two gas turbines will require unexpected repairs to maintain its long-term reliability.

Impacted Projects/Other Unanticipated Repairs

Staff is anticipating additional costs due to the extension of the time to complete all the work required. Also, there may be additional repairs required as the work continues.

DISCUSSION

At the December 3rd City Council meeting, staff provided an update about the DVR Power Plant and the milestones for needed repairs. The full scope of the additional repairs was still being determined at the time this memorandum was being written. Typically, staff would negotiate contract amendments, and submit them to Council for review and approval on a case-by-case basis prior to execution. However, due to the critical need to re-commission the DVR Power Plant as soon as possible, staff recommends an expedited process that delegates an additional \$10,000,000 to the City Manager to execute amendments, change orders and new agreements for the specific purpose of completing all repairs at the DVR Power Plant. The Electric Department will coordinate closely with the Purchasing Division of the Finance Department as well as the City Attorney's Office to ensure that all contract amendments and change orders are consistent with the terms, conditions and scope of the original agreement. Any requirements resulting in new agreements shall be procured in pursuant to the City's purchasing rules. Additional work shall not commence prior to the execution of required contractual documents.

A preliminary estimate of the additional tasks that have been identified and their associated cost is as follows:

Equipment/Project	Estimated Additional Cost
Mitsubishi Steam Turbine and Generator	\$8,000,000
General Electric Gas Turbines	\$1,000,000
Impacted Projects/Other Unanticipated Repairs	\$1,000,000
Total Additional Cost	\$10,000,000

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b)(4) in that it is a fiscal activity that does not involve commitment to a specific project which may result in potential significant impact on the environment.

FISCAL IMPACT

Funds for all repairs and related costs will come from Electric Department Capital Improvement Program project Major Engine Overhaul and Repair. However, this project's current available FY 2019/20 budget cannot fully fund the additional cost of \$10 million. The Budget Amendment below is recommended in order to fully fund the additional cost, funded through DVR Plant Reserve and Electric Utility Fund Unrestricted Reserve totaling \$8 million.

Budget Amendment FY 2019/2020

	Current	Increase/ (Decrease) Revised
Electric Utility Fund		
<u>Transfers Out</u>		

Transfer to the Electric Utility Capital Fund	\$18,727,000	\$8,000,000	\$23,137,000
---	--------------	-------------	--------------

Reserves

Unrestricted Fund Balance	\$102,134,203	(\$3,000,000)	\$99,134,203
DVR Plant Reserve	\$5,078,163	(\$5,000,000)	\$78,163

Electric Utility Capital FundTransfers In

Transfer from the Electric Utility Fund to Major Engine Overhaul and Repair Project	\$3,300,000	\$8,000,000	\$11,300,000
---	-------------	-------------	--------------

Expenditures

Major Engine Overhaul and Repair Project	\$6,409,818	\$8,000,000	\$14,409,818
--	-------------	-------------	--------------

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

1. Adopt a Resolution authorizing the City Manager to negotiate and execute amendments, change orders, and new agreements with various vendors as required to complete all repairs at the DVR Power Plant, in an aggregate amount not-to-exceed \$10,000,000. This funding shall not be used for any purpose other than to facilitate the completion of all repairs at the DVR Power Plant related to the outage, and any unused funds shall be returned to their original funding source; and
2. Approve related budget amendment of \$8 million, with transfer of funds from Electric Utility Fund's DVR Plant Reserve and Unrestricted Reserve to Major Engine Overhaul and Repair project.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Resolution