



Los Angeles
World Airports

RESOLUTION NO. 26395

BE IT RESOLVED that the Board of Airport Commissioners approved a five (5)-year contract with Solar Turbines, Inc. for a Beneficial Use Service Agreement covering the co-generation turbines in the Central Utility Plant at Los Angeles International Airport, as referenced in the Board-adopted staff report attached hereto and made part hereof; and

LAX
Van Nuys
CITY OF LOS ANGELES
Eric Garcetti
Mayor

BE IT FURTHER RESOLVED that the Board of Airport Commissioners authorized the Chief Executive Officer to execute said contract upon approval as to form by the City Attorney and upon approval by the Los Angeles City Council; and

Board of Airport Commissioners
Sean O. Burton
President
Valeria C. Velasco
Vice President
Jeffery J. Daar
Gabriel L. Eshaghian
Beatrice C. Hsu
Thomas S. Sayles
Dr. Cynthia A. Telles
Deborah Flint
Chief Executive Officer

BE IT FURTHER RESOLVED that the Board of Airport Commissioners found that this agreement qualifies for award on a sole source basis as equipment repairs or parts obtained from the manufacturer of the equipment or its exclusive agent, pursuant to Los Angeles City Charter, Section 371(e)(7), Section Administrative Code Section 10.15(a)(7); and

BE IT FURTHER RESOLVED that the issuance of permits, leases, agreements, gate and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III Class 1(18)(c) of the Los Angeles City CEQA Guidelines; and

BE IT FURTHER RESOLVED that actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373.

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I hereby certify that this Resolution No. 26395 is true and correct, as adopted by the Board of Airport Commissioners at its Special Meeting held on Thursday, December 14, 2017.

A handwritten signature in blue ink, appearing to read "Sandra J. Miller".

Sandra J. Miller – Secretary
BOARD OF AIRPORT COMMISSIONERS





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REPORT TO THE BOARD OF AIRPORT COMMISSIONERS

Approved by Robert Johnson, Chief Building Operating Engineer

Reviewed by Michael R. Christensen, Deputy Executive Director

Deborah Flint – Chief Executive Officer

Meeting Date:

12/14/2017

CAO Review: Completed
 Pending
 N/A

Reviewed for	Date	Approval Status	By
Finance	10/13/2017	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N <input type="checkbox"/> NA	RW
CEQA	10/13/2017	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	JH
Procurement	10/16/2017	<input type="checkbox"/> Y <input type="checkbox"/> N <input checked="" type="checkbox"/> Cond	MT
Guest Experience	10/18/2017	<input checked="" type="checkbox"/> Y <input type="checkbox"/> N	BY

SUBJECT: Award Contract to Solar Turbines, Inc.

Award a five-year contract to Solar Turbines, Inc. (Solar) as a Beneficial Use Service Agreement (BUSA) for the Los Angeles International Airport (LAX) Central Utility Plant's (CUP) co-generation turbines in an amount not to exceed \$7,227,860 and authorize the appropriation of funds.

RECOMMENDATIONS:

Management RECOMMENDS that the Board of Airport Commissioners:

1. ADOPT the Staff Report.
2. FIND that this agreement qualifies for award on a sole source basis as equipment repairs or parts obtained from the manufacturer of the equipment or its exclusive agent, pursuant to Los Angeles City Charter, Section 371(e)(7), Section Administrative Code Section 10.15 (a) (7).
3. DETERMINE that this action is exempt from the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
4. AUTHORIZE the appropriation of funds in the amount of \$260,000 from the LAX Revenue Fund to cover contract startup costs.

5. APPROVE the award of a five-year contract to Solar Turbines, Inc. for a Beneficial Use Service Agreement for the Central Utility Plant co-generation turbines in an amount not to exceed \$7,227,860.
6. AUTHORIZE the Chief Executive Officer to execute the contract after approval as to form by the City Attorney.

DISCUSSION:

1. Purpose

This proposed action will establish a five-year contract that will guarantee continuing operation of the CUPs two Solar co-generation units providing remote diagnostics, trouble-shooting, scheduled inspections, as-needed repair, and overhaul.

2. Prior Related Actions

- October 2, 2014 – Resolution No. 25532 (DA-4946).
The Los Angeles World Airports (LAWA) Board of Airport Commissioners awarded a two-year contract to Solar Turbines, Inc. for Equipment Health Management (EHM) services, providing remote monitoring, preventive maintenance, and spare parts for the CUPs two co-generation turbines. This contract was to expire February 2017.
- January 10, 2017 – Resolution No. 26145 (DA-4946A).
The LAWA Board of Airport Commissioners approved a one-year amendment to this contract, adding \$298,840 to the basic contract for an overall adjusted amount of \$851,472. This amendment expires February 14, 2018.

3. Current Action

In March 2014, two Solar natural gas co-generation turbines were installed in the CUP as part of the competitively-bid CUP Project. These units produce 4.2 megawatts (MW) of electricity each that power the CUP, certain central terminal area (CTA) parking structures, and traffic signals. Power produced that exceeds the above requirements is exported back to City of Los Angeles Department of Water and Power (LADWP) for which credit is received.

The co-generation turbines also produce steam used to drive turbine-based chillers that provide chilled water for cooling all existing terminals, the Administration East building, and the Theme Building.

For the first three years of use, these co-generation units, while under warranty, were maintained by the manufacturer through an Equipment Health Management agreement. This agreement provided remote monitoring and diagnostics, preventive maintenance, and spare parts. As of March 2018, the co-generation units will be four years old with an anticipated combined run-time of more than 24,000 hours. It is necessary that a more complete service program be in place by that time. After a thorough evaluation of three different service programs, the BUSA was selected as the most appropriate for the CUP's intended operation over the next five years.

The BUSA, with the requested contract authority, will provide a technical manager for maintenance coordination and trouble-shooting, remote diagnostic and monitoring, on-site trouble-shooting, repairs and maintenance guidance, scheduled maintenance inspections with associated consumables, and replacement parts.

This contract will also provide for a complete overhaul or replacement of each co-generation turbine system during the five-year period, estimated, based on run hours to be in the three to four-year mark. This service alone amounts to approximately 40% of the contract authority.

Staff has explored cost of service programs used by other agencies, who operate the same Solar model co-generation turbine system, for the purpose of reconciling the costs proposed for LAWA's Solar agreement. While no other US airports use this model, hospitals and universities do. Comparisons thus far, including San Diego Veterans Affairs (VA) hospital, indicate that the proposed costs are comparable.

Procurement Process

For the described service, a Request for Proposal (RFP) was considered; however, it was determined that Solar, as the sole manufacturer of these Mercury 50 turbines, has not recognized any third party as authorized to repair or overhaul these turbine sets. Nor has Solar licensed their intellectual property related to these turbines to any third party. Further, Solar is presently the only authorized provider of warranted and certified overhauls and re-builds; therefore, the use of a sole-source provider was required. The not to exceed cost, along with the allowance for escalation, was negotiated with Solar and validated through comparisons with other Solar installations.

The requested contract authority consists of four separate costs: 1) an existing hours fee based on estimated accumulated run time at the start of contract; 2) a monthly maintenance fee that covers routine inspection, monitoring, and maintenance; 3) a service fee that includes unscheduled repairs and overhaul; and, 4) escalation that is tied to standard economic indices. The monthly and service costs resulting in approximately 84% of total cost.

As mentioned above, the previous Solar EHM contract had a term of approximately three years, during most of which time the turbines were new and under warranty. The total cost of Solar's contract during this period was \$851,472, or approximately \$283,824 per year. The proposed BUSA has a cost of approximately \$1,445,572 per year; however, Solar turbines are no longer new and under warranty, and the BUSA scope of services is substantially expanded from the previous EHM contract, including a complete overhaul of both turbines.

Fiscal Impact

Costs incurred under this contract will be recovered mainly through terminal rates and charges along with landing fees and non-aeronautical revenues. The appropriation of the requested funds will increase the FY2017-18 LAWA Operating Budget by \$260,000.

4. Alternatives Considered

- ***Take No Action***

Deferring this item would be a detriment to equipment performance and severely shorten equipment life. Loss of this equipment would result in an increase in annual electrical costs of approximately \$3,200,000 plus the added cost of natural gas to provide heated water to the terminals. Loss of this equipment would diminish the LAWA guest experience by severely hindering the CUP's ability to provide heating and cooling service to the Central Terminal Area. Currently, there are no LAWA personnel qualified to perform maintenance or overhauls on these units.

APPROPRIATIONS:

Partial funding for this contract is available in the Fiscal Year 2017-18 Los Angeles World Airports Operating Budget in LAX Cost Center 1150070 – Central Utility Plant, Commitment Item 520 – Contractual Services. Additional funds in the amount of \$260,000 will be appropriated and allocated from the LAX Revenue Fund to the same cost center. Funding for subsequent years will be requested as part of the annual budget process.

STANDARD PROVISIONS:

1. The issuance of permits, leases, agreements, gate and space assignments, and renewals, amendments or extensions thereof, or other entitlements granting use of existing airport facilities or its operations is exempt from the requirements of the California Environmental Quality Act (CEQA) pursuant to Article III, Class 1 (18)(c) of the Los Angeles City CEQA Guidelines.
2. This contract is subject to approval as to form by the City Attorney.
3. Actions taken on this item by the Board of Airport Commissioners will become final pursuant to the provisions of Los Angeles City Charter Section 373.
4. Solar Turbines will comply with the provisions of the Living Wage Ordinance.
5. Procurement Services reviewed this action (File No. 10043121). No mandatory Small Business Enterprise, Local Business Enterprise/Local Small Business Enterprise, and Disabled Veterans Business Enterprise goals were set for this project, as no subcontracting opportunities were identified.
6. Solar Turbines will comply with the provisions of the Affirmative Action Program.
7. Solar Turbines has been assigned Business Tax Registration Certificate No. 0002747073-0001-1.
8. Solar Turbines will comply with the provisions of the Child Support Obligations Ordinance.
9. Solar Turbines will have approved insurance documents, in the terms and amounts required, on file with the Los Angeles World Airports prior to execution of the contract.
10. Pursuant to Charter Section 1022, staff determined the work specified on the proposed contract can be performed more feasibly or economically by an Independent Contractor than by City employees.

11. Solar Turbines must submit the Contractor Responsibility Program Questionnaire and Pledge of Compliance and will comply with the provisions of the Contractor Responsibility Program.
12. Solar Turbines must be determined by Public Works, Office of Contract Compliance, to be in full compliance with the provisions of the Equal Benefits Ordinance prior to execution of the contract.
13. Solar Turbines will be required to comply with the provisions of the First Source Hiring Program for all non-trade LAX Airport jobs.
14. Solar Turbines must submit the Bidder Contributions CEC Form 55 and comply with its provision prior to execution of the contract.