



## CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

### AGENDA ITEM

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Report: Grayson Repowering Project – Demolition and Site Improvement Contract Contingency Amount Amendment; Balance of Site Engineering, Procurement, and Construction (EPC) Contract Award, Professional Services Agreement Amendment; and Wartsila North America, Inc. Engineering and Procurement Contract Award

1. Motion authorizing an increase to the contingency amount by \$10,000,000 to a new contingency amount of \$15,443,747 to the existing Contract No. 8002075 with Silverado Contractors, Inc. (Silverado) for the Grayson Repowering Project.
2. Motion authorizing the City Manager, or his designee, to execute Amendment No. 1 to the existing PSA, Contract No. 8002155, with ARB, Inc. (ARB), increasing the not to exceed amount by \$330,000 to a new not to exceed amount of \$630,000 and to add the following to the scope of work: 1) develop an indicative construction cost for the Wartsila Power Island, and 2) perform the necessary engineering to support and prepare procurement documents for long lead electrical equipment, and 3) then obtain formal quotations.
3. Resolution authorizing the City Manager, or his designee, to execute an EPC contract with ARB, in the not to exceed amount of \$362,700,000 plus a 10% contingency of \$36,270,000 to 1) serve as the EPC for the Battery Energy Storage System (BESS) Power Island, 2) serve as the EPC for the BOS work, 3) integration of the BESS and Wartsila Power Islands into the Utility Operations Center, and 4) construct the Wartsila Power Island.
4. Resolution Amending Resolution 22-189, and authorizing the City Manager, or his designee, to execute an EP contract with Wartsila in the not to exceed amount of \$108,555,800 plus a 15% contingency of \$16,283,370 to provide and deliver the engineering design and equipment for the Wartsila Power Island.
5. Resolution of Appropriations

### COUNCIL ACTION

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**Item Type:** Action Item

**Approved for** November 14, 2023 **Calendar**

## EXECUTIVE SUMMARY

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The Grayson Repowering Project (Project), approved by City Council, consists of three primary phases - the first of which - Unit 9 Separation, is complete. The next two phases require amending existing contracts and executing new contracts for these services to continue moving forward:

- *Unit 9 Separation*: includes the decoupling of Unit 9 from the rest of the power plant that is presently under demolition; Unit 9 decoupling ensures its continued use as a power resource during demolition and construction.
- *Demolition and Site Improvement*: includes hazardous material abatement (principally asbestos remediation), demolition, disposal/recycling, structural backfill, and site geotechnical improvement; and,
- *Engineering, Procurement, and Construction (EPC)*: includes replacing the obsolete control system on Unit 9, a 75-megawatt (MW) / 300-megawatt-hour battery energy storage system, the 3-engine 56 MW Wartsila power plant, and associated facilities.

This report provides detailed background and analysis of the project status, new constraints and opportunities, anticipated costs, proposed contracts and amendments, and a review of next steps.

## RECOMMENDATION

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Authorize the following actions associated with the Project:

1. Increase in the contingency amount for the existing Silverado contract for demolition services by \$10,000,000 to a new not-to-exceed amount of \$15,443,747.
2. Amendment to the existing Professional Services Agreement (PSA) with ARB in an amount not-to-exceed \$330,000 to a new not-to-exceed amount of \$630,000.
3. Enter into a new contract with ARB for the Balance of Site (BOS) EPC in an amount not-to-exceed \$362,700,000 plus a 10% (\$36,270,000) reserve for contingency; and,
4. Enter into a new contract with Wartsila for the engineering and procurement of the Wartsila Power Island in an amount not-to-exceed \$108,555,800 plus a 15% (\$16,283,370) reserve for contingency.
5. Adopt a resolution appropriating the required funds.

## BACKGROUND/ANALYSIS

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The Project evolved from the need to replace the existing aging power plant facilities as they could not meet current or future operational necessities or environmental obligations. In response, GWP developed repowering plans to continue delivering reliable energy to the residents of Glendale into the future. The Project was therefore designed to:

- 1) Provide reliable electrical service.
- 2) Accommodate future growth in load as predicted by the Integrated Resource Plan, and within recent years, account for growth in load due to growth in energy demand as driven by building electrification and electric vehicles.

- 3) Meet nationally recognized electric reliability requirements including protection against the N-1 and N-1-1 contingencies.
- 4) Comply with current and forthcoming South Coast Air Quality Management District (SCAQMD) air emissions regulations.

As discussed in detail during the environmental review and entitlement processes, GWP operates in an environment where electric power import capability is limited by existing transmission capacity; the Grayson Power Plant (Grayson) units were old, and (excluding Unit 9) could not operate in compliance with SCAQMD requirements past December 2023 while meeting the Project objectives, and electric load is expected to grow. GWP has addressed these challenges through rooftop solar and demand response programs that were re-vamped as part of the Local and Regional Renewable, Low-Carbon, and Zero Carbon Energy and Capacity Resource Options to Serve the City of Glendale otherwise known as the “Clean Energy” Request For Proposals (RFP), the Biogas Renewable Generation Project to recover energy that is otherwise lost through flaring, and lastly, repowering the Grayson.

The Project has been subjected to a protracted licensing and procurement process. The original Final Environmental Impact Report (FEIR) was published in 2018. The Partially Recirculated Draft EIR addressing the change to the Wartsila engines and inclusion of battery storage was published in August 2021. The City Council made the final decision on the number of engines in December 2022.

During that four-year period, Project costs have significantly escalated due to:

1. Changes in national codes that significantly impacted site improvement costs,
2. Inflation and supply chain impacts,
3. Increasing demand for electrical equipment to support the mandates for build-out of renewable and storage projects,
4. The removal of Tesla as a potential battery supplier,
5. The loss of the planned use of a Disney lot for laydown of GWP materials to free up on-site space for storage of project related materials, and
6. The loss of the south side of the Verdugo Wash for construction parking.

All these issues were exacerbated by permitting delays. Specific examples of factors resulting in cost increases include:

1. As part of their response to the Clean Energy RFP in July 2018, one of the EPC proposals that Wartsila provided was for a three-engine plant at a cost of less than \$80 million. A subsequent five-engine EPC proposal from Wartsila for approximately \$150 million (or about \$100 million for three engines) expired December 15, 2021. Today, that same three engine power island will cost GWP approximately \$200 million. While there have been some small changes in work scope, mostly reduction due to the elimination of piles associated with soil improvements, the basic conclusion remains the same that project cost has increased significantly during the intervening years.

2. In response to the Clean Energy RFP, GWP received several 75 MW/300 MWH BESS EPC proposals in August 2018 ranging in cost from \$100-130 million. Today, the same 75 MW/300 MWH BESS EPC cost is expected to be approximately \$204 million. Again, while there have been some small changes in work scope, the basic conclusion remains the same.
3. Part of the cost increase in the BESS Power Island is due to no longer being able to contract with Tesla. The Tesla system had the advantage that each inverter/battery Megapack package self-supplied its own 480 volt (V) auxiliary loads such as controls and cooling. Other battery systems do not self-supply these loads necessitating a separate 480 V auxiliary power distribution system being installed to supply power to each inverter/battery package. This added several million dollars to the cost of the BESS Power Island.
4. As originally planned, construction parking was going to be located on the south side of the Verdugo Wash, where parking for the demolition work force is located today. However, the Los Angeles County Metropolitan Transportation Authority (METRO) now has a project (Doran Street Grade Separation Improvements) that will likely preclude that space from being used by GWP for any purpose after demolition is completed. This has necessitated finding an alternate off-site parking location from which the workers will be bused to and from Grayson. In addition to the cost of leasing the parking space and the busing, the city must also pay the union craft for the travel time. This has the potential of adding over \$10 million in cost to the Project.

Project delays have also impacted the Project schedule by much more than a day-for-day basis. Much of this is due to the worldwide emphasis on building renewable and energy storage projects. These projects have created a strong demand for electrical equipment – transformers, switchgear, and batteries – that Grayson requires. Thus, equipment lead times and pricing have increased commensurately. For example, transformers in the size range we need used to have lead times of nine to twelve months, but now 24 months or more.

The Project permitting delays have delayed the completion by at least two years and added over \$200 million to the total cost. This report does not include an analysis of cost impacts due to the City's decision not to move forward with the Project in 2018, and to instead proceed with the Clean Energy RFP process, which resulted in Project revisions and an extended California Environmental Quality Act (CEQA) review and certification process that was not completed until February 15, 2022. Per Council's direction, the modified Project authorization to proceed with the Wartsila Power Island with a three-engine configuration instead of the five-engine configuration recommended by GWP staff was not given until December 2022.

Today, GWP faces the same challenges that precipitated the need to repower Grayson:

- 1) GWP's peak load has in the past exceeded GWP's available import capacity through the Pacific DC Intertie, the Southwest Transmission System, Los Angeles Department of Water & Power (LADWP), and the Magnolia Power Project. This exceedance is expected to continue.
- 2) Growth in energy demand due to building electrification and electric vehicles is expected to broaden the peak and raise the minimum load. While much of this can be addressed via imported energy, imported energy alone cannot meet peak load needs. Local renewable generation and demand response programs can help mitigate these increases in demand but have not yet materialized as hoped.
- 3) Even though the bulk of Glendale's electrical energy is imported, GWP is still required to maintain adequate reserves to protect against the N-1 and N-1-1 contingencies. LADWP reiterated this fact in a meeting with two City Council members, City Manager and GWP General Manager confirming this fact in written correspondence with GWP previously. If GWP is lacking adequate resources, GWP is expected to shed load (i.e., temporarily interrupt the delivery of electricity to customers) to maintain adequate reserves.
- 4) Grayson's older generating units, except for Unit 9, were nearing obsolescence jeopardizing both the ability to serve peak load and system reliability. Additionally, SCAQMD Rule 1135 prohibited operation of the older units after December 31, 2023, as they could not be upgraded to meet the Project objectives with the new rule requirements due to their lengthy startup times and lower efficiency. These older units are currently nearly 50% demolished.

GWP continues to need reliable and fast starting generation resources to help assure reliable service to the residents of Glendale. GWP is therefore recommending that the City Council approve the BOS EPC and Wartsila contracts as detailed below.

### **Demolition and Site Improvement Contract Contingency Amount Amendment**

On September 21, 2021, the City Council via Resolution No. 21-147, dispensed with competitive bidding and authorized the issuance of an RFP for the demolition and site (soil) improvement of the Grayson facility in connection with the Project. Eighteen months later, on March 21, 2023, the City Council authorized the contract with Silverado for the demolition of Grayson, (except Unit 9), and for improving the site geotechnical properties through a soil improvement program. The contract's authorized not-to-exceed amount is \$27,218,735, with a 20% contingency in the amount of \$5,443,747.

During the development of the scope of work for the Demolition and Soil Improvement RFP, GWP performed a comprehensive review of the site including:

- Drawing reviews,
- Physical inspections of the plant site, Boiler Building, and equipment except as limited by physical constraints around operating equipment inside the Boiler Building and Glendale Rack,
- Test borings around the site including the fuel bunkers and Glendale Rack, areas

known to have been occupied by oil-filled equipment and infrastructure within them, and

- developing quantity estimates for the abatement of different types of unit price rates for hazardous materials that would need to be mitigated such as asbestos and oil contaminated soil.

Silverado is approximately 70% finished with the abatement work, 60% with the demolition work, and 50% overall including site improvement work. Based on current progress and knowledge of what was discovered at the site, and the application of unit price rates for various expected hazardous material conditions and quantities, the expected cost at completion for the Demolition and Site Improvement RFP scope is approximately \$650,000 above the base proposal price of approximately \$27.2 million. This is due to the inaccessibility of certain areas prior to the commencement of demolition work, including subterranean areas.

During the course of the abatement and demolition work, additional hazardous materials and locations were identified that must be abated:

- Asbestos that was contained within the double layer steel walls of boiler Nos. 3, 4, and 5 air preheaters. (This could not have been seen until the walls were opened.)
- Asbestos insulation on the boiler water heater tanks. (Due to their location and operating conditions, this could not have been seen and/or sampled when the hazardous material surveys were performed while Grayson was still operating.)
- Underground asbestos-cement pipe that did not appear on drawings.

The estimated cost of these three items at completion is approximately \$1 million. The first two items were included in Change Order No.1 (\$453,641.30).

Additionally, the Grayson site is geotechnically challenging and may be subject to liquefaction during a seismic event. The Demolition and Site Improvement RFP specified the installation of stone columns and wick drains to mitigate the liquefaction issues. Wartsila intended to drive piles to support the new equipment foundations (the existing foundations at Grayson that are being removed are also pile supported). In Silverado's original proposal, as a value engineering option, they proposed using a Deep Soil Mixing (DSM) approach in lieu of the stone columns and wick drains that were specified in the Demolition and Site Improvement RFP.

GWP has elected to proceed with Silverado's use of DSM, as that will eliminate the need to drive piles (and eliminate the associated construction noise) and would also mitigate the potential for liquefaction. Elimination of the stone columns and wick drains produced a savings of approximately \$9.1 million. The estimated cost to perform DSM under the Wartsila Power Island is approximately \$9.4 million. At \$9.4 million, DSM is less costly than pile driving and represents a net savings of more than \$1 million. Additionally, DSM is a quieter and less disruptive process because it eliminates repeated pounding from driving piles.

With respect to the BESS Power Island, Tesla had stated that compaction, along with

the stone columns and wick drains, would be sufficient for their BESS. However, in having to switch from Tesla to another BESS vendor, as was the case with Wartsila, improvements to the site soil conditions are now required beyond only the soil compaction that Tesla required. This is an added scope to the Silverado contract and to the Project as a whole. The final layout of the BESS Power Island is still in process and thus the DSM design cannot yet be finalized. DSM work under the BESS Power Island is estimated to cost \$5.6 million. The total estimated net cost of all DSM work is approximately \$6 million.

There are also several miscellaneous demolition scope changes that are being recommended:

- Removal of underground infrastructure in the West Road. While not required for the Project per se, given all the demolition work being performed at this time, it is relatively easy to deal with this issue now and avoid a more complicated demolition sometime in the future. The estimated cost of this item is approximately \$165,000.
- With the demolition of the Boiler Building, the Unit 9 controls were relocated to a temporary trailer as part of the Unit 9 Separation work. ARB, the Unit 9 Separation contractor, was servicing the restroom holding tanks, but with that contract coming to a close we are transferring the servicing to Silverado with an estimated not-to-exceed cost of \$28,000.
- The Grayson soil has performed better than was expected and thus it was possible to reduce the scope of the temporary shoring work for a savings of \$22,000.
- During the court ordered stay in response to the Glendale Residents Against Environmental Destruction request, it was necessary to remove scaffolding that had been erected with the plan of attaching it to the Boiler Building structural steel. Since the stay prohibited further demolition and abatement of the Boiler Building, and attaching the scaffolding would have necessitated cutting holes in the Boiler Building siding, it was necessary to remove the scaffolding. This had a cost impact of approximately \$20,000.
- Some work may be required to improve the soil in the former Glendale Rack area where the Wartsila engines will be assembled. We are setting aside \$100,000 to cover the cost of this potential work.

The above miscellaneous changes, with an estimated total cost of approximately \$335,000, are much smaller in magnitude than the other project needs. Of the miscellaneous changes, there is only one that is discretionary, removal of the West Road underground infrastructure. GWP recommends approval of this use of contingency because it could yield far greater savings in the future.

The combined net estimated cost of the DSM for the Wartsila and BESS Power Islands (\$6 million), abatement of the previously unknown hazardous materials (\$1 million), the potential increase in contract unit price rate items (\$650,000), as well as the miscellaneous changes (\$335,000) results in a total of more than \$7 million which exceeds the available contingency. Given that demolition/site improvement work is 50% complete overall with significantly more work yet to be completed, GWP is

requesting that the original contingency amount of \$5,443,747 be increased by \$10 million for a new contingency amount of \$15,443,747 or approximately 57% of the contract price.

### **BOS EPC Contract and PSA Amendment**

On August 16, 2022, the City Council adopted Resolution No. 22-127 authorizing the use of the alternative project delivery method pursuant to Glendale Municipal Code, 1995 (GMC) Chapter 4.13, for the engineering, procurement and construction of the BOS for the Project.

City Council adopted Resolution 23-70 on June 6, 2023, dispensing with competitive bidding, authorizing the General Manager to directly negotiate with ARB for the BOS EPC contract, and awarded a PSA to ARB to refine their conceptual design, schedule, and an indicative price for their Battery Energy Storage System (BESS) and BOS scope of work as a prelude to completing a full engineering, procurement, and construction contract with ARB. The indicative price developed under the PSA would be used as the basis for the subsequent EPC agreement, and after engineering is sufficiently advanced and long-lead equipment production slots are secured under a Limited Notice to Proceed (LNTP), the pricing would be refined based upon the more up-to-date and detailed information, converting the agreement to a firm price contract and issuing a Full Notice to Proceed (FNTP).

As part of ARB's effort to develop their indicative price, they have received budgetary quotation with lengthening, and in some cases unacceptable long lead times for major electrical equipment such as transformers and switchgear. It is important to note that ARB and their partner POWER Engineers, Inc. are also engaged in other projects for which they are receiving informal quotations and delivery estimates for long lead electrical equipment. The quotes are currently reflecting significant increases in lead times and costs which increases are likely attributable to the high demand and heavy emphasis on building out renewables and energy storage.

As part of Amendment No. 1 to the ARB EPC PSA, ARB and its engineering subcontractor would proceed to perform the necessary engineering to support development of procurement specifications for long-lead electrical equipment and obtain formal quotations. Once the EPC contract is authorized, and executed, ARB can immediately begin procuring these items under the LNTP reducing the risk to the project schedule and future cost increases.

Following the City Council's decision to proceed with only three engines for the Wartsila Power Island, GWP and Wartsila resumed negotiating the EPC contract. While the engineering and procurement portions of the contract are essentially complete, the negotiations for the construction portion of the contract have dragged on due to, among other things:

- Inflationary pressures on construction costs



- Alternatives to the use of Disney lot for GWP material laydown space, and the impending loss of the construction parking space on the south side of Verdugo Wash.
- Uncertainties associated with customary EPC practices in the United States
- Escalating risk management requirements within Wartsila due to recent EPC experience on other projects.

Ultimately, GWP concluded there was too great an uncertainty as to whether an acceptable EPC agreement could be reached with Wartsila in a timely manner. That led GWP to decide to reassign the construction portion of the Wartsila Power Island EPC scope of work to ARB who will be performing the work including the BESS and BOS. Wartsila will continue to be responsible for completion of the detailed engineering and supply of all equipment as well as technical support for construction and commissioning.

This decision was based upon:

- EPC negotiations with ARB for the BESS and BOS were largely complete,
- ARB is an experienced EPC contractor within the United States, and
- GWP and ARB have a long history of working together at Grayson.

As ARB will now become responsible for the construction of the Wartsila Power Island, Amendment No. 1 to the ARB EPC PSA also provides the funds for ARB having reviewed the Wartsila Power Island design and equipment, and developing their indicative price to construct it. This indicative price is added to their indicative price for their original BESS and BOS scope of work.

Based on the preliminary engineering and cost estimating work that ARB has been performing, ARB has developed an EPC proposal with indicative pricing based upon their conceptual designs for:

- The BESS Power Island, and
- The BOS work to integrate the BESS and Wartsila Power Islands into the Utility Operations Center.

In addition, ARB has developed indicative pricing to construct the Wartsila Power Island. This proposal consists of five major pricing elements:

1. An indicative price to complete the engineering design for the BOS and BESS Power Island.
2. An indicative price for procurement of the equipment for the BOS and BESS Power Island.
3. An indicative price for construction of the BOS, BESS Power Island, and the Wartsila Power Island.
4. Allowances, to be spent on a time and material (T&M) basis, that were requested to be included by the BOS EPC RFP (i.e.: temporary trailers, new building furnishings, spare parts, etc.).

5. Allowances to be spent on a T&M basis to cover needed items that cannot be definitively priced at this time (i.e.: off-site laydown and parking, ministerial permits, traffic control, etc.).

Under the EPC contract, there will be an initial “open book” (the LNTP) phase to:

- Refine the conceptual design,
- Begin the detailed engineering design,
- Specify and secure production slots for long-lead equipment,
- Complete construction planning, and
- Develop a lump sum (fixed) price to complete the scope of work.

During this “open book” phase ARB will work with GWP in a very transparent manner sharing their estimates and quotations so that GWP has a high degree of visibility into how ARB develops their proposed final EPC price for the project.

The indicative price for the complete BOS EPC scope including construction of the Wartsila Power island is \$362,700,000. Of that amount, \$43,102,000 is allocated to the LNTP phase. Any unspent LNTP funds would roll into the FNTF phase.

Below is a price breakdown of the LNTP phase.

Scope	Cost
ARB Preconstruction Support (T&M)	\$ 862,500
BESS Engineering and Secure BESS Production Slots	\$30,429,000
Secure BESS Generator Step-Up Transformers and BESS and BOS Power Distribution Centers Production Slots	\$ 4,048,000
Engineering Design	\$ 4,312,500
Payment & Performance Bond	\$ 3,450,000
Total	\$43,102,000

The LNTP portion of the ARB EPC agreement, totaling approximately \$43 million, will initially be funded using GWP cash reserves. Bond financing would be in place prior to a FNTF which both fund the balance of the EPC agreement, approximately \$319 million, and replenish GWP cash reserves.

Once the final lump sum price is agreed upon by GWP and ARB, the contract would convert to a fixed price EPC contract to complete the work. The expectation is that the final price would be less than the indicative price as the engineering progresses. The requested Council approval and authorization will provide the GWP staff the ability to negotiate, and the City Manager the ability to enter into, the contract for the final phase and price within the parameters of the already approved not to exceed amount, and for GWP to issue the FNTF.

GWP is requesting 10% contingency in the amount of \$36,270,000 for the BOS EPC contract to cover potential added costs due to costs that exceed the amount of the

included allowances, and other potential contingencies.

### **Wartsila EP Contract**

On August 16, 2022, City Council also adopted a motion authorizing the City Manager to execute a PSA with Wartsila for Phase 2 Limited Notice to Proceed Engineering Services for the Grayson Project. Under this PSA, Wartsila has been performing engineering for the Wartsila Power Island sufficient to complete the foundation designs. The final design review for this effort is schedule to occur in mid-December 2023.

On December 13, 2022, the City Council adopted Resolution 22-189 authorizing the City Manager to execute an EPC agreement with Wartsila North America, Inc. for the three engine Wartsila Power Island with a not to exceed price of up to \$170,000,000.

Due to prolonged contract negotiations with Wartsila for the final EPC contract for the Wartsila Power Island, GWP has decided to move the construction scope for the Wartsila Power Island to ARB for the reasons discussed earlier. Wartsila will continue to be responsible for completion of the detailed engineering and supply of all equipment as well as technical support for construction and commissioning.

Based on the engineering work that Wartsila has performed, and their work with their suppliers to obtain the equipment engineering inputs for the foundation designs, coupled with the change in their work scope, Wartsila has developed a proposal for their work to complete the engineering design, supply all the equipment, and commission the Wartsila Power Island. This proposal, valued at \$108,555,800, consists of three major elements:

1. A not-to-exceed price to complete the engineering design.
2. A not-to-exceed price for procurement of the equipment.
3. Allowances, to be spent on a T&M basis, to cover needed items that cannot be definitively priced at this time including:
  - a. Equipment transportation costs
  - b. Field support during construction
  - c. Field support during commissioning, which is subject to a cap, and
  - d. Spare parts.

GWP is requesting 15% contingency in the amount of \$16,283,370 for the Wartsila EP contract to cover potential added costs due to:

1. Changes in Dollar/Euro exchange rates (Wartsila is based in Finland),
2. Costs that exceed the amount of the included allowances, and
3. Other potential contingencies.

The first six milestone payments of the Wartsila EP contract, which total 45% of the contract price, will initially be funded using GWP cash reserves.

<b>Milestone Number</b>	<b>Milestone</b>	<b>% of total Contract Price</b>
1	Effective Date NTP - Down Payment	20%
2	Engine Order Placed	5%
3	GSU, Auxiliary, and Alternate Feed Transformers and Switchgear Ordered	5%
4	Provide Interface, earthworks and foundation Design	2%
5	Engineering Submitted	3%
6	Engines Product Conformity Test (PCT)	10%

The six milestone payments total \$48,850,110 and cover the first ten months of the contract. That provides adequate time to secure bond financing and replace GWP's cash reserves.

#### **STAKEHOLDERS/OUTREACH**

Not applicable.

#### **FISCAL IMPACT**

GWP intends to fund the Grayson Repowering Project through issuance of bonds. On July 19, 2016, and July 23, 2019, the City Council adopted Bond Reimbursement Resolutions which allow the City to recoup expenditures made for the Grayson Project development from bond proceeds, when bonds are issued for the project. Staff will be presenting a bond ordinance to City Council in the coming months after approval of a new rate plan. Some of the initial project costs will be fronted with GWP's cash reserves which will be replenished with bond proceeds. The resolutions approving these contracts will authorize the execution of the contracts upon the effective date of the rate plan and the City Manager's determination that the rate plan will be sufficient to issue the bonds in the amounts sufficient to fund the contracts.

The Silverado Demolition and Site Improvement Contract Contingency Amount Amendment will cost \$10,000,000 which was not included as a part of the FY 2023-24 approved budget. Therefore, staff is requesting for an appropriation of \$10,000,000 from GWP's Electric Surplus Fund Balance. The appropriation request is outlined below:

<b>Requesting Appropriation</b>			
<b>Amount</b>	<b>From (Account String)</b>	<b>To (Account String)</b>	<b>Funding Source</b>
\$10,000,000	GL: 27900-5810-GWP-0000	GL: 43110-5830-GWP-0020-P0000-PL: GWP00171BN	Net Position, Electric Surplus Fund Balance

The ARB BOS EPC Contract LNTP phase and PSA Amendment No. 1 will cost \$43,432,000 plus 10% (\$4,343,200) which was not included as a part of the FY 2023-24 approved budget. Therefore, staff is requesting for an appropriation of a total \$47,412,200 from GWP's Electric Surplus Fund Balance. The appropriation request is

outlined below:

Requesting Appropriation			
Amount	From (Account String)	To (Account String)	Funding Source
\$47,412,200	GL: 27900-5810-GWP-0000	GL: 43110-5830-GWP-0020-P0000-PL: GWP00171CN	Net Position, Electric Surplus Fund Balance

The first six milestone payments of the Wartsila EP Contract will cost \$48,850,110 plus 15% (\$7,327,517) which was not included as a part of the FY 2023-24 approved budget. Therefore, staff is requesting for an appropriation of a total \$56,177,627 from GWP's Electric Surplus Fund Balance. The appropriation request is outlined below:

Requesting Appropriation			
Amount	From (Account String)	To (Account String)	Funding Source
\$56,177,627	GL: 27900-5810-GWP-0000	GL: 43110-5830-GWP-0020-P0000-PL: GWP00170CN	Net Position, Electric Surplus Fund Balance

The ARB BOS EPC Contract FNTF phase and the remaining Wartsila EP Contract milestone payments will be budgeted in the subsequent two fiscal years and paid for with bond funding.

## ENVIRONMENTAL REVIEW

On February 15, 2022, the City certified a Final Environmental Impact Report (FEIR), Statement of Overriding Considerations and Mitigation Monitoring and Reporting Program for the Grayson Repowering Project ("Project") pursuant to the California Environmental Quality Act (CEQA) Guidelines (14 Cal Code Regs. 15000 et seq. and Public Resources Code Sections 21000 et seq.) The Project includes all aspects of Project implementation, including, demolition and site improvements as well as mitigation monitoring and reporting. The action presented to the City Council here involves the authorization of an amendment to the PSA with ARB, an increase to the contingency amount for the Silverado contract, the BOS EPC contract, and the Wartsila EP contract to complete the project. All actions are funding actions that are within the scope of the Project in certified FEIR.

## CAMPAIGN DISCLOSURE

In accordance with the City Campaign Finance Ordinance No. 5744, the attachment to this Report contains the names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, Subcontractors and any person or entity with more than 10% interest or more in the company proposed for contract in this Agenda Item. Attached as Exhibits 1, 2 and 3, respectively, are the Campaign Finance Disclosures for ARB, Wartsila and Silverado.

## ALTERNATIVES

Alternative 1: Do not authorize and approve the actions described herein. However, doing so would delay the implementation of the Grayson Project.

Alternative 2: Consider any other alternatives not proposed by staff.

### **ADMINISTRATIVE ACTION**

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**Submitted by:**

Mark Young, General Manager - GWP

**Prepared by:**

Scott Mellon, P.E., Assistant General Manager - Power Management

**Approved by:**

Roubik R. Golanian, P.E., City Manager

### **EXHIBITS/ATTACHMENTS**

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Exhibit 1: Campaign Finance Disclosure for ARB, Inc.,

Exhibit 2: Campaign Finance Disclosure for Wartsila North America, Inc.,

Exhibit 3: Campaign Finance Disclosure for Silverado Contractors, Inc.