



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

### AGENDA ITEM

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Report: Grayson Repowering Project – Southern California Gas Company (SoCalGas) Phase 2 Collectible Work Authorization (CWA) Agreements.

1. Motion authorizing the City Manager, or his designee, to enter into and execute Phase 2 CWA Agreements as necessary with SoCalGas for the upgrade of SoCalGas facilities located within the Glendale Water & Power (GWP) Utility Operation Center (UOC) and in connection with Grayson Repowering Project in the aggregate not to exceed amount of \$4,109,042. The form of said Agreements shall be subject to the approval of the City Attorney.

### COUNCIL ACTION

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**Item Type:** Action Item

**Approved for** April 29, 2025 **Calendar**

### EXECUTIVE SUMMARY

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The City contracts, with SoCalGas, to transport natural gas to the Grayson Power Plant and the Magnolia Power Project that has two facilities located within the UOC to meter and regulate the pressure of the natural gas that it delivers to Grayson. They are located at the north which serves Unit 9, and at the south that served the now demolished Units 1 through 5 boilers – and have underground electrical and communication conduits interconnecting the two.

The repowering project significantly reduced Grayson's gas needs and planned to reconfigure the meter station arrangements so that the south meter station would serve Unit 9, and the north meter station would serve the new Wartsila units. Given the reduction in gas flows, reconfiguration of meter stations, as well as the age of the meter stations, modifications and upgrades of the meter stations were required to accurately meter the lower flows, to meet current codes and SoCalGas standards, as well as incorporate improvements for additional site safety. SoCalGas's Class 5<sup>1</sup> cost estimate to complete the upgrades is \$4,109,042.

GWP has been working with SoCalGas to reduce the cost of this work, even to the point of directing SoCalGas to stop work and stating that GWP would reconfigure these facilities to allow Unit 9 to be fed from the north meter station as well as feeding the

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<sup>1</sup> A Class 5 estimate typically refers to a rough order of magnitude estimate. SoCalGas's estimate is based upon the preliminary design, equipment quotations they've received, and their experience from similar projects.

Wartsila units from the same location. In doing this, GWP accepted giving up separate supplies for Unit 9 and the Wartsila units and maintaining the long north-south run of piping to serve Unit 9, but in so doing intends to avoid the significant SoCalGas betterment costs.

Subsequently, GWP and SoCalGas have conceptually agreed to a reduced work scope. Additionally, SoCalGas is researching whether they can re-direct some or all of the long-lead material to other projects and avoid some or all of the cancellation costs. Further, SoCalGas is exploring whether splitting the Phase 2 CWA into two separate CWAs may help reduce costs given how they allocate their overheads. A final scope and budget for the reduced scope of work are still being negotiated.

## **RECOMMENDATION**

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Authorize the City Manager to enter into and execute CWA Agreements as necessary with SoCalGas for the upgrade of their facilities in connection with the Grayson Repowering Project for an aggregate not-to-exceed amount of \$4,109,042.

## **ANALYSIS**

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Prior to the decommissioning of Grayson Power Plant boiler Units 1 through 5 and combined cycle gas turbine Units 8A and 8BC, SoCalGas had a total of three meter set assemblies (MSAs) located within the UOC to meter and pressure regulate natural gas that was delivered to these Units, and the Unit 9 simple cycle gas turbine. Two of the MSAs were located at the north end of the site and one at the south. The north end MSAs were used to deliver gas to the now removed Units 8A and 8BC combined cycle units, and the existing Unit 9. The south MSA was used to deliver gas to the boiler units.

On December 13, 2022, the City Council authorized the City Manager to enter into a CWA with SoCalGas for services related to the improvement and upgrade of SoCalGas facilities in connection with the Grayson Repowering Project for an amount not to exceed \$400,000. As part of this initial Phase 1, SoCalGas was originally authorized to decommission and remove the two MSAs that were delivering gas to the boilers and the combined cycle gas turbines, conduct engineering research and analysis, prepare a preliminary design, prepare a schedule that works with the overall project schedule, and prepare a Class 5 cost estimate for the final Phase 2 CWA. The Phase 2 CWA included detailed design and engineering, material procurement, and construction. To avoid any project delays, all long lead items were ordered as part of the Phase 1 CWA.

GWP eventually decided to retain two MSAs, one at each of the two existing facilities, such that the south MSA fed the existing Unit 9 gas turbine and the north MSA fed the new Wartsila Units 11, 12, and 13. Doing so would have improved availability as the plant could have continued to operate at a reduced capacity if one of the two MSA were to be compromised. Additionally, as each unit facility would have been fed by an adjacent MSA, this would have improved the overall UOC site safety by reducing the need to pipe high pressure gas across the Grayson facility. New piping would have been installed as part of the Grayson Repowering Project to feed Unit 9 from the south MSA. New conduits will also be installed between the two facilities in case the existing are found to be not reusable for SoCalGas to install new electrical and control wiring.

As planned, the SoCalGas facilities' upgrade project would have included the following:

- For the south MSA, new piping, valves, fittings, instrumentation, wiring, conduits, an ultrasonic meter, a shelter with electrical and communications equipment, and a gas chromatograph.
- For the north MSA, new orifice plate, instrumentation, wiring, and conduits.
- Both facilities will also include improvements to bring them into compliance with current codes and current SoCalGas practices.

Any SoCalGas metering station upgrade and improvement will be scheduled around a planned Unit 9 outage and be completed prior to the completion of the Grayson Repowering Project.

SoCalGas's Class 5 cost estimate for the Phase 2 CWA was \$4,109,042. This includes the balance of engineering and material procurement, permitting, project and construction management, remediation, construction, and commissioning. Typical accuracy ranges for Class 5 estimates are -20% to -50% on the low side, and +30% to +100% on the high side. GWP has reviewed SoCalGas's estimate and provided its comments where it believes there to be excess conservatism.

In discussion with SoCalGas on March 20, 2025, SoCalGas stated that they would proceed on the basis of the current cost estimate and that GWP's comments would not be addressed with final costs to be trued-up at project completion. As a result, GWP directed SoCalGas to stop work, and clarified that GWP would instead continue to supply Unit 9 from the north meter station and connect the new Wartsila units to the exiting Unit 9 gas supply piping located outside and downstream of the SoCalGas meter station i.e., to GWP's piping system and not SoCalGas's. GWP informed SoCalGas that based on GWP's own assessment, this was a feasible plan that would only require SoCalGas to change the orifice size in their flowmeter. GWP also stated that SoCalGas could maintain their south meter station "as is" at the UOC. In doing so, GWP also recognized that there was the potential for cancellation costs due to SoCalGas for long lead equipment and engineering costs that would no longer be utilized.

GWP and SoCalGas met on April 3, 2025, and conceptually agreed to a reduced work scope along the lines that GWP had proposed with some modifications to accommodate the higher flow through the one meter and other supporting changes. Additionally, SoCalGas is researching whether they can re-direct some or all of the long-lead material to other projects and avoid some or all of the cancellation costs for GWP. Further, SoCalGas is exploring whether splitting the Phase 2 CWA into two separate CWAs may also help reduce GWP's costs given how they allocate their overhead.

A final scope and budget for the reduced scope of work are still being negotiated. Therefore, GWP is recommending that the City Council authorize the City Manager, or his designee, to enter into and execute CWAs, as necessary, for an aggregate total amount not to exceed \$4,109,042 as will best serve the City's needs.

## **STAKEHOLDERS/OUTREACH**

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Not applicable.

## FISCAL IMPACT

The Phase 2 SoCalGas CWA Agreements are estimated to cost no more than \$4,109,042. Funds are available from the FY 2024-25 approved budget as follows:

Amount	Account String	Funding Source
\$4,109,042	GL: 43110-5830-GWP-0020-0000- PL: GWP00171BN	GWP Electric Depreciation Fund

## ENVIRONMENTAL REVIEW (CEQA/NEPA)

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 CWA Agreements with SoCalGas to upgrade their onsite facilities 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 following are the names and business addresses of the members of the board of directors, the chairperson, CEO, COO, CFO, of SoCalGas and Sempra which is the parent company:

### Officers of **SoCalGas**:

Full Name	Title	Business Address	City	State	Zip
Maryam S. Brown	CEO	555 West 5th Street	Los Angeles	CA	90013
Rodger R. Schwecke	COO	555 West 5th Street	Los Angeles	CA	90013
Mia DeMontigny	CFO	555 West 5th Street	Los Angeles	CA	90013

### Officers of **Sempra**:

Full Name	Title	Business Address	City	State	Zip
Jeffrey W. Martin	Chairman, CEO and President	488 8th Ave.	San Diego	CA	92101
Karen Sedgwick	CFO	488 8th Ave.	San Diego	CA	92101
Jeffrey W. Martin; Andrés Conesa; Pablo A. Ferrero;	Board of Directors	488 8th Ave.	San Diego	CA	92101

Jennifer M. Kirk; Richard J. Mark; Michael N. Mears; Kevin C. Sagara; Jack T. Taylor; Cynthia J. Warner; Anya Weaving; James C. Yardley					
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## **ALTERNATIVES TO STAFF RECOMMENDATION**

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- 1) Not to approve the actions described herein. However, doing so would likely lead to limiting the simultaneous operation of Unit 9 and the Wartsila units as GWP's gas flow must stay within the operating limits of the existing fuel gas meter. Simultaneous operation of Unit 9 and the Wartsila units could overrange the SoCalGas meter leading to potentially serious billing issues. Any cancellation costs due to SoCalGas would need to be funded as an unbudgeted expense.
- 2) Consider any other alternative not proposed by staff.

## **ADMINISTRATIVE ACTION**

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### **Submitted by:**

Scott K. Mellon, P.E., Acting General Manager - Glendale Water and Power

### **Prepared by:**

Rostamik Chetin, P.E., Senior Mechanical Engineer

### **Approved by:**

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

## **EXHIBITS/ATTACHMENTS**

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Not applicable.