TO: HONORABLE CITY COUNCIL
FROM: CITY MANAGER
DEPARTMENT: UTILITIES
DATE: FEBRUARY 4, 2002
SUBJECT: APPROVAL OF AMENDMENT TO EXISTING CONTRACT NO. C135651 WITH PLANERGY INTERNATIONAL FOR THE EMERGENCY RENTAL OF A 5-MEGAWATT BACKUP DIESEL GENERATOR CHANGING THE CONTRACT AMOUNT FROM $392,785 TO $532,785

RECOMMENDATION

Staff recommends that Council approve and authorize the Mayor to execute the attached contract amendment with Planergy International (C135651) for additional but unforeseen costs related to installation and rental of emergency diesel generators, increasing the contract amount from $392,785 to $532,785.

DISCUSSION

Because of the deteriorating energy situation that faced California in the spring of 2001, Council approved a contract with Planergy International for the engineering, procurement and construction related to the short-term rental of 5 megawatts (MWs) of portable back-up generators in April 2001. These units were to be temporarily located at the City of Palo Alto Municipal Service Center (MSC). Planergy International served as the turn-key contractor for this project.

The original scope of work for services to be provided by Planergy included:

1) Procurement of 5 MWs of diesel generation at the MSC, and related engineering and installation services.
2) Three-month rental of the diesel–fired generators (four units which are each 1350 kW).
3) Maintenance services for the generators as required.
The generators were intended for use during Stage 3 electric shortages when the California Independent System Operator required Palo Alto to curtail load on the electric system. CPAU installed the back-up generators to reduce rolling blackouts for customers. At that time, the diesel generators were planned to be removed no later than September 15, 2001.

The original schedule anticipated installation would be completed by June 1, 2001, with removal by the end of August 2001, pending start-up of permanent replacement natural gas generators. Diesel generator installation was actually completed early in May. The natural gas generator delivery and installation schedule was delayed by a combination of City process requirements and manufacturing delays caused by high demand for generators during the summer. The generators could have been removed at the end of July after the end of the 3 month rental term. However, in order to maintain the backup generator capability for averting potential rolling blackouts, the diesel generators were kept online and available until the natural gas generators were delivered and operational. This requirement resulted in diesel generators being onsite at the MSC until November 16, 2001, three and a half months longer than expected. The prime contractor Planergy International has offered to pay for two months’ rent, requesting that Palo Alto pay only for the rental due to early installation (one month) and up to the original “no later than” date of September 15, 2001 (two weeks). Staff believes that this request is equitable and fair, and recommends that Council approve the contract amendment.

The fast-track emergency nature of the project led to some unforeseen installation costs due to fire, safety, and other ordinance requirements. These additional installation costs total approximately $9,800 beyond the approved $30,000 contingency.

**RESOURCE IMPACT**

Funds required to amend the contract are available in the existing budget. The recommended contract amendment would bring the total contract authority from the current $392,785 to $532,785 an increase of 36% (30% due to additional rental, 6% due to additional installation costs). Change orders to date have increased the contract authority by $17,785 from the original $375,000 to $392,785. Funds for the $140,000 increase in contract authority are available in the current Electric Operations budget from funds that had been budgeted for diesel fuel for the generators which was not needed. No further costs associated with this project are anticipated.

**POLICY IMPLICATIONS**
This recommendation is consistent with prior Council action with regards to the energy emergency facing California in the spring of 2001. The backup generator project supports Utilities Strategic Plan Key Strategy 1; Operate distribution systems in a cost-effective manner, and Strategy 4; Deliver products and services for competitive markets.

ENVIRONMENTAL REVIEW

No further environmental review is required for this project.

ATTACHMENTS

A: Amendment No. One to Agreement No. C135651

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Director of Utilities

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