

COUNCIL ACTION FORM

**SUBJECT: POWER PLANT FUEL CONVERSION – MECHANICAL INSTALLATION
GENERAL WORK CONTRACT - CHANGE ORDER NO. 3**

BACKGROUND:

In November of 2013 the City Council decided to convert the City's Power Plant from coal to natural gas. In May of 2014 the City Council selected Sargent & Lundy of Chicago, Illinois, to provide engineering and construction oversight services for the conversion project.

On September 22, 2015, City Council awarded a contract to TEI Construction Services, Inc., Duncan, SC for the Mechanical Installation General Work Contract in the amount of \$1,572,019.

The action being requested is to approve Change Order No. 3 to the Mechanical Installation Contract.

Item 1

Description: TEI Construction Services Inc. is to provide and modify platforms, stairs, grating, toe plates, railings, etc. on four levels associated with the installation of natural gas burners and igniters on Unit 8 boiler.

At the time of the original letting of this contract, staff was aware that the exact routing and placement of valves were still being finalized. It was understood that this contract would have to be adjusted once the final plans for this work was completed.

Cost: Lump sum of \$70,194

Item 2

Description: TEI Construction Services Inc. is to provide Unit 7 & 8 Steam turbine front standard installation work including probe removal, worm gear removal, disconnecting linkages, and valve installation.

At the time the original contact was let, staff did not include front standard work in the base bid because it was not yet determined if this work was actually needed.

Cost: Time & Material basis, not-to-exceed \$117,790.

The total cost of both items combined in Change Order No. 3 is \$187,984.

CHANGE ORDER HISTORY:

Two change orders have previously been issued for this project.

Change Order No. 1 for \$8,750 was for TEI to procure Nordstrom valves.

Change Order No. 2 for \$156,131 was for TEI to supply natural gas control and on-off valves.

The total cost of both change orders No. 1 and No. 2 was \$164,881.

PROJECT COST HISTORY:

The Engineer's estimate of the cost for this phase of the project was \$5,115,000. With this change order, the total costs for the Mechanical Installation General Work Contract within the project will be increased to \$1,924,884.

Overall, the total project dollar amount committed to date (inclusive of this Change order No. 3) is \$16,742,076.50. The approved FY 2015/16 Capital Improvements Plan includes \$26,000,000 for the Unit 7 and Unit 8 fuel conversion. However, some of the funding of the conversion project is coming from the sale of Electric Revenue bonds. Considering that the project is coming in much less than the budgeted amount, staff has chosen to reduce the size of the bonds issuance and has reflected the budgeted amount accordingly. The project budget to date is shown on page 3.

ALTERNATIVES:

1. Approve contract Change Order No. 3 with TEI Construction Services, Inc., Duncan, SC for the Power Plant Fuel Conversion - Mechanical Installation General Work Contract in the amount of \$187,984.
2. Reject contract Change Order No. 3.

MANAGER'S RECOMMENDED ACTION:

This conversion is needed in order for the Power Plant to remain in compliance with state and federal air quality regulations. This major phase will provide for the mechanical work necessary to install the natural gas burners into the boilers, provide for the natural gas piping from the burners to the main Alliant pipeline, and accomplish structural modifications and valve trains.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.

PROJECT BUDGET

The overall project budget and commitments to date are summarized below. To date, the project budget has the following items encumbered:

\$17,475,000	FY 2015/16 CIP amount budgeted for project \$26,000,000 less reduced bonds issuance by \$8,525,000
\$1,995,000	Encumbered not-to-exceed amount for Engineering Services
\$2,395,000	Engineering Services Contract Change Order No. 1
\$174,000	Engineering Services Contract Change Order No. 2
\$3,355,300	Contract cost for Natural Gas Conversion Equipment
\$29,869	Equipment Contract Change Order No. 1
(-\$321,600)	Equipment Contract Change Order No. 2
(-\$51,000)	Equipment Contract Change Order No. 3
\$1,595,000	Contract cost for DCS equipment
\$814,920	Contract cost for TCS equipment Bid 1
\$244,731	TCS Bid 1 Contract Change Order No. 1
\$186,320	Contract Cost for Turbine Steam Seal System - TCS Bid 2
\$24,536	TCS Bid 2 Contract Change Order No. 1
\$898,800	Contract cost for Control Room Installation General Work Contract
\$66,782	Control Room Contract Change Order No. 1
\$1,572,019	Contract cost for Mechanical Installation General Work Contract
\$8,750	Mechanical Contract Change Order No. 1
\$156,131	Mechanical Contract Change Order No. 2
\$187,984	Mechanical Contract Change Order No. 3
\$3,145,149	Contract cost for Electrical Installation General Work Contract

\$98,560	Contract cost for UPS System
(-\$1,010)	UPS System Contract Change Order No. 1
<u>\$166,835.50</u>	Contract cost for Portable Electric Space Heaters
\$16,742,076.50	Costs committed to date for conversion
\$732,923.50	Remaining Project Balance to cover miscellaneous equipment and modifications to the power plant needed for the fuel conversion