

**COUNCIL ACTION FORM**

**SUBJECT: BOILER MAINTENANCE SERVICES CONTRACT FOR POWER PLANT– CHANGE ORDER NO. 2**

**BACKGROUND:**

This contract consists of a variety of boiler and pressure vessel maintenance, including structural steel and pressure vessel repair. This consists of emergency service, as well as regularly planned repairs and services during scheduled outages.

On June 27, 2017, Council approved a contract renewal with TEI Construction Services, Inc., Duncan, SC, for the one-year period from July 1, 2017, through June 30, 2018 in the amount not to exceed \$210,000. Council previously approved a \$350,000 change order to increase the amount of funds in the current fiscal year contract. That action was needed to cover funding needed for the Unit #8 spring outage, since greater tube wastage occurred since the original contract was awarded.

**Plant outages, resulting from boiler tube failure, have caused staff to use more funding than what was originally anticipated for emergency repairs. The action being requested is to approve Change Order No. 2 to the Boiler Maintenance Services Contract.** This change order will add an additional \$125,000 to the current contract for FY2017/18. This will bring the total contract amount to \$685,000.

The amount of boiler tube repair required to date is much more than what was expected and the funds have been exhausted. Without this change order there will not be adequate funding authorization to complete planned boiler work during the Plant's current spring outage, as well as possible future unplanned/emergency boiler repairs needed during the remaining months of this current contract term. **Additional funds authorized in this change order will not be spent unless needed.**

The \$210,000 for the original contract was approved in the FY2017/18 Power Plant operating budget for Electric Production. Funding in the amount of \$350,000 to cover Change Order No. 1 came from Unit 7 and Unit 8 Boiler Maintenance accounts. Under this same Boiler Maintenance account, the City Council had approved a different Purchase Order with Pro Energy, another general boiler maintenance company, in an amount of \$425,000. The Pro Energy Purchase Order was closed which allowed staff the ability to reallocate the unspent dollars to cover Change Order No. 1.

Funding for Change Order No. 2 will come from the Power Plant Miscellaneous Operations account. Money in that account that was allocated to update the Computer Maintenance Management Software (CMMS) will now be used to fund this change order. Plant staff will now plan to perform the software update next fiscal year.

**ALTERNATIVES:**

1. Approve contract Change Order No. 2 with TEI Construction Services, Inc., Duncan, SC for the Boiler Maintenance Services Contract for Power Plant in the not-to-exceed amount of \$125,000. This will bring the total FY2017/18 contract value to a not-to-exceed amount of \$685,000.
2. Do not approve this change order.

**CITY MANAGER'S RECOMMENDED ACTION:**

This change order is necessary to complete the larger number of boiler repairs that were needed during the current spring outage, as well as to ensure a qualified professional firm can respond to both scheduled and emergency needs for boiler repair and maintenance. Funds will be expended only as work is required and in accordance with approved invoices.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 as stated above.