

**COUNCIL ACTION FORM**

**SUBJECT:** AWARD OF CONTRACT FOR POWER PLANT INSTRUMENT AIR COMPRESSOR

**BACKGROUND:**

This bid is for the purchase of a compressor for the Power Plant. A total of four air compressors supply air for operation and maintenance in the Power Plant. Each generating unit contains one instrument and one service air compressor.

The instrument air compressor for Unit #8 needs to be replaced. This unit is over twenty years old and has experienced maintenance issues threatening reliability. This compressor supplies air that moves the critical damper positioners and control valves in the unit controls. Although there is the capability to use the Unit #7 compressor in the event of a failure of the Unit #8 compressor, this would put a burden on the capacity of the Unit #7 compressor and leave no additional redundancy.

Power Plant staff requested that the manufacturer of the compressor be Atlas Copco, which manufactures other compressors used in the plant. The rotary compressors manufactured by Atlas Copco are superior to reciprocating compressors, the screw drive feature operates better in the plant's dusty environment and this compressor has a proven track record in operating in the Power Plant environment. Specifying this manufacturer also allows the plant to keep inventories of spare parts to a minimum.

The Power Plant has used compressors from other manufacturers in the past, but staff has determined that the best performance has been achieved with Atlas Copco. Additionally, staff stated that the cost of maintaining these units has been very good for the past 20 years and the service provided through Atlas Copco representatives has been exceptional.

On April 26, 2018, bid documents were issued to seven companies. The bid was advertised on the Current Bid Opportunities section of the Purchasing webpage, and was also sent to one plan room. On May 15, 2018, a single bid was received as shown below:

Atlas Copco Compressors, LLC, Omaha, NE	\$50,070
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**Staff reviewed the bid and concluded it is acceptable. Staff learned that the primary reason a single bid was received was due to territorial restrictions Atlas Copco places on the distribution of its equipment. The distributor bidding is the only authorized one for this area. Purchasing spoke with Atlas Copco about the bid and learned Iowa is treated as a "direct state" as opposed to a state where**

**there are multiple distributors. As a result, Atlas Copco indicates the City is receiving factory direct pricing without the distributor mark-up.**

The approved FY 2018/19 Electric Production maintenance budget includes \$55,000 for compressors.

**ALTERNATIVES:**

1. Award a contract to Atlas Copco Compressors, LLC, Omaha, NE, for the instrument air compressor in the amount of \$50,070 (inclusive of Iowa sales tax).
2. Reject all bids and delay the purchase of this air compressor.

**MANAGER'S RECOMMENDED ACTION:**

The purchase of this compressor ensures reliable efficient operation of equipment for both Unit #7 and #8. Having one of these compressors offline will increase the risk of affecting capacity of the compressor in the other unit which will affect plant operations as a whole. As a result, there is a major risk of incurring significant power cost increases to the Electric Utility. Also, by purchasing a compressor from this manufacturer, staff can maintain uniformity throughout the plant which could result in lower maintenance costs and greater service efficiencies.

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