

**COUNCIL ACTION FORM**

**SUBJECT: BOILER MAINTENANCE SERVICES CONTRACT FOR POWER PLANT- CHANGE ORDER NO. 4**

**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 the contract renewal with TEI Construction Services, Inc., Duncan, SC, for the Boiler Maintenance Services Contract for Power Plant for the one-year period from July 1, 2017, through June 30, 2018 in the amount not to exceed \$210,000. Plant outages, resulting from boiler tube failure, has caused staff to use more than what was originally budgeted.

**The action being requested is to approve Change Order No. 4 to the Boiler Maintenance Services Contract.** This change order will add an additional \$75,000 to the current contract for FY2017/18. This will bring the total contract amount to \$1,060,000.

**This Change Order is needed to increase the amount of funds in the current fiscal year contract. The amount of boiler tube repair required to date is much more than what was expected and the funds have been exhausted. Burning Refuse-Derived-Fuel with natural gas is causing rapid boiler tube deterioration on uncoated tubes, in the superheat section. This did not occur when firing with coal. In the near future these repaired tubes will be replaced with Inconel-coated tubes. However, long material lead times force staff to take this intermediate step in order to return the unit to operation.**

Without this change order there will not be enough funds available to complete planned boiler work during the plant's current spring outage, and possible future unplanned/emergency boiler repairs needed during the remaining months of this current contract term. **The Council should understand the additional funds authorized in this change order will not be spent unless needed.**

**CHANGE ORDER HISTORY:**

Two change orders were previously issued for this contract.

- Change Order No. 1 for \$350,000 was to increase the amount of funds in the current fiscal year contract.

- Change Order No. 2 for \$125,000 was to increase the amount of funds in the current fiscal year contract.
- Change Order No. 3 for \$300,000 was to increase the amount of funds in the current fiscal year contract.
- Change Order No. 4 for \$75,000 is to increase the amount of funds in the current fiscal year contract.

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. The funding for Change Order No. 2 came from the Power Plant Miscellaneous Operations account. Money in the Miscellaneous Operations account was budgeted to update the Computer Maintenance Management Software (CMMS) but had to be redirected to fund the boiler maintenance change order. The funding for Change Order No. 3 came from three separate accounts in the Power Plant Operations budget:

- \$100,000 from #7 Steam Turbine and Generator Maintenance – The replacement of the MOV controls and level gauges will be delayed.
- \$100,000 from #7 Boiler Maintenance - Since #7 is not being run the rest of the year, there is money available in this account.
- \$100,000 from Miscellaneous Operations – The Plant has not used as many chemicals as planned.

**The funding for Change Order No. 4 will come from the Unit 8 Environmental Equipment account which was going to be used to update outdated equipment. The equipment update will be delayed.**

Invoices will be based on contract rates for time and materials for services that are actually received.

**ALTERNATIVES:**

1. Approve contract Change Order No. 4 with TEI Construction Services, Inc., Duncan, SC for the Boiler Maintenance Services Contract for Power Plant in the not-to-exceed amount of \$75,000. This will bring the total FY2017/18 contract value to a not-to-exceed amount of \$1,060,000.
2. Do not approve the change order.

It should be noted that this alternative will place Unit #8 at a continual risk of being non-operational for longer periods of time during our upcoming peak load season.

**MANAGER'S RECOMMENDED ACTION:**

This change order is necessary to complete boiler repairs during the current spring outage as well as ensure a qualified professional firm will respond to both scheduled and emergency needs for boiler repair and maintenance, and will also control costs by having established billing rates. 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.