

COUNCIL ACTION FORM

**SUBJECT: BOILER MAINTENANCE SERVICES FOR POWER PLANT–
EMERGENCY CHANGE ORDER NO. 2 AND CHANGE ORDER NO. 3**

BACKGROUND:

The Power Plant has traditionally bid boiler maintenance services and held a contract throughout each year in order to perform regularly planned repairs and services during scheduled outages and emergency service. The current contract is with TEI Construction Services, Inc., Duncan, SC. Due to the current condition of the Unit 8 boiler's superheat tubes and a large increase in forced outages, many emergency service responses have been required this year.

Both of the Power Plant's boilers (Unit 7 and Unit 8) have experienced excessive corrosion in the superheater sections. The corrosion has caused the tubes to thin, resulting in many forced outages. Next fiscal year, large repair projects are planned for both boilers, installing coated tubes that will be able to stand up to the corrosion. The Council approved contract and bond on April 9, 2019 for the repair work to start on Unit 7. The Unit 8 repair project is planned to start once Unit 7 is complete.

While working through the increased number of forced outages, TEI has recently struggled in providing needed manpower on a short term basis. TEI has also expressed concern to Plant staff that the struggle to respond to forced outages will most likely increase because a number of their welders have chosen other employment.

Because of these TEI response issues and concerns, City will rebid the maintenance contract to find a company that will be able to appropriately respond to our increasing demand for emergency repairs. From today until the plant has a contract in place, Unit 8 boiler is expected to have additional forced outages that will require emergency repairs. Until another contract is in place, the plant desires to have another contractor perform the boiler maintenance services.

The Jamar Company, Duluth, MN, was identified by staff as an alternative vendor which is qualified to perform this work. Jamar has performed repairs in Unit 8 boiler twice since March 28, 2019. Staff approved a Purchase Order of \$23,000 to Jamar to perform the first repair. Change Order #1 was approved for \$25,000 by the City Manager's Office on April 5, 2019, to perform the second repair. During these two repairs, Jamar was able to show its ability to respond to our needs with highly skilled welders.

In addition, an emergency Change Order #2, for \$15,000, was approved on April 11th by the City Manager's Office to allow Jamar to continue work to repair the

boiler through this past weekend. This emergency change order requires approval by the Council.

The proposed change order would be Change Order No. 3. This change order will add an additional \$75,000 to the current Purchase Order. This will bring the total Purchase Order amount to \$138,000. The reason for such a large increase compared to the base purchase order is because City expects multiple forced outages to occur on Unit 8 before the end of the current fiscal year and the start of another contract. It's critical to have a contractor in place in order to respond quickly. The \$90,000 is an estimate of the amount of funds it will take to repair the boiler multiple times until a contract is in place.

Without this change order there will not be enough funds available to perform boiler repairs. **The Council should understand the additional funds authorized in this change order will not be spent unless needed. Invoices will be based on contract rates for time and materials for services that are performed.**

The additional funding to cover both the emergency Change Order #2 (\$15,000) and Change Order #3 (\$75,000) will come from the Unit 8 Boiler Maintenance account.

ALTERNATIVES:

- 1A. Approve emergency contract Change Order No. 2 with The Jamar Company, Duluth, MN for the Power Plant Boiler Maintenance Services in the not-to-exceed amount of \$15,000.
- 1B. Approve contract Change Order No. 3 with The Jamar Company, Duluth, MN for the Power Plant Boiler Maintenance Services in the not-to-exceed amount of \$75,000. This will bring the total Purchase Order value to a not-to-exceed amount of \$138,000.
2. Do not approve the change orders.

MANAGER'S RECOMMENDED ACTION:

These change orders are necessary to ensure a ready and abled, qualified professional firm is able to respond to both scheduled and emergency needs for boiler repair and maintenance while the plant is rebidding the maintenance contract. 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 #1A and B as stated above.