

COUNCIL ACTION FORM

SUBJECT: **BOILER MAINTENANCE SERVICES CONTRACT FOR POWER PLANT– CHANGE ORDER NO. 3**

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 26, 2018, 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, 2018, through June 30, 2019 in the amount not to exceed \$200,000.

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. Unit 7 tube replacement repair project has recently started and will take until October to complete. Unit 8 boiler will function as the only operating boiler until Unit 7 repairs are complete.

In an effort to make Unit 8 more reliable while Unit 7 undergoes repair, Unit 8 will be taken down for 3 weeks and TEI will replace sections of tube that is in corrosion vulnerable areas. By performing this work, Unit 8 can be more reliable until Unit 7 is online. The action being requested is to approve Change Order No. 3 to the Boiler Maintenance Services Contract. This change order will add an additional \$400,000 to the current contract for FY2018/19. This will bring the total contract amount to \$1,285,000.

CHANGE ORDER HISTORY:

Two change orders were previously issued for this contract. Both Change Orders 1 and 2 were to increase the amount of funds in the current fiscal year contract allowing for responding to the increased forced outages and replacing other tube sections in corrosion vulnerable areas.

It is important to note that the work being done with this Change Order does not eliminate the need to do the Unit #8 Boiler Tube Replacement project covered in the CIP. This Change Order only allows staff to extend the reliability of Unit #8 until the tube replacement work is finished to Unit #7. The CIP serves as the long-term solution to burn RDF with specialized tubes and continue delivering reliable electricity.

In order to finance Change Order No. 3, the Mortensen Road Feeder Relocate and Extension project budgeted at \$520,000 for FY 2018/19 will be eliminated, since funding for this project has been included in the Mortensen Road Feeder Reconstruction projection approved in FY 2016/17.

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

ALTERNATIVES:

1. Approve contract Change Order No. 3 with TEI Construction Services, Inc., Duncan, SC for the Boiler Maintenance Services Contract for Power Plant in the not-to-exceed amount of \$400,000. This will bring the total FY2018/19 contract value to a not-to-exceed amount of \$1,285,000.
2. Do not approve the change order which will result in continual outages in Unit #8 affecting not only the Resource Recovery operation and the reliability of the electric system, but also the garbage haulers who will have transport the refuse directly to the Boone County landfill.

MANAGER'S RECOMMENDED ACTION:

This change order is necessary to complete needed repairs to Unit #8 to keep the operating boiler more reliable. 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.