

## COUNCIL ACTION FORM

**SUBJECT: POWER PLANT UNIT #8 COAL MILL PARTS**

**BACKGROUND:**

This bid is for the purchase of mill parts needed for planned mill rebuilds associated with routine maintenance and inventory replenishment for the Unit #8 Coal Mill located in the City's Power Plant. This equipment is used for pulverizing coal into a powder that is used as fuel in the Unit #8 Boiler. There are a total of four mills in the Power Plant, and three of those four must be in service for the Plant to be fully operational. If a second mill were to go offline, it would result in limiting the generating capacity of the Plant due to the inability to get adequate fuel to the boiler. As a result, the Power Plant could need to purchase electricity or start up GT-1 and/or GT-2 gas turbines in order to supplement generating capacity. This would likely lead to significantly higher production costs.

The majority of the parts on this bid are long lead time parts that are being purchased now for the planned maintenance to the coal mills. Maintenance delays will be reduced significantly by having these parts in stock at the Plant and minimizing the risk of the Plant having to shut down if more than one of the coal mills goes off-line. In addition, by purchasing these parts in higher quantities based on planned rebuilds, as opposed to purchasing the parts on an as-needed basis, the City will realize savings based on increased volume discounts and overall reduced transaction costs associated with shipping costs and multiple issuances of purchase orders.

Funding for these parts is available from the approved FY 2009/10 Electric Production operating budget for Unit #8 Boiler Maintenance, which contains \$75,000 for pulverizer (mill) parts. The estimated \$143,000 balance remaining will be funded by the City inventory budget.

On December 15, 2009, the bid document was issued to three vendors for response. On December 30, 2009, a single bid was received. Staff reviewed the bid and concluded that it is non-responsive and therefore must be rejected. The bid non-responsiveness was determined based on the Bidder not submitting a signed Offer Form and bid security. In the Instructions to Bidders, section three of the bidding document states "*each bidder shall sign the bid, using his or her usual signature*" and in section fourteen it states "*each proposal shall be accompanied by a bid deposit in the form of a bid bond, money order, or cashier's or certified check*". The Bidder provided neither of these. Additionally, the Bidder took numerous exceptions to the City of Ames terms and conditions. If the Bidder did submit a signed Offer Form and bid security, then the submitted exceptions to the terms and conditions must still be addressed.

This bid only had a two-week time frame between issue date and due date. In addition, the due date was during the holiday season when many manufacturers had scheduled plant closings. This could have contributed to our only receiving one bid. The reason for the short time frame was to try to get the parts which require a long lead time on order as soon as possible. As mentioned previously, any unwanted downtime could increase production costs significantly.

City staff believes that at least one other bidder will be interested in bidding on this if we rebid, and that the bidder will submit a responsive bid.

**ALTERNATIVES:**

1. Reject the bid received and direct staff to rebid the parts.
2. Reject the bid and order mill parts on an as-needed basis.

**MANAGER'S RECOMMENDED ACTION:**

Purchase of these mill parts will reduce the risks of delays on planned mill rebuilds, and will also help reduce downtime due to unplanned mill equipment failures. Having this equipment off-line increases the risk of incurring significant power cost increases to our customers should we need to purchase power at a high-cost time.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, rejecting the bid received and directing staff to rebid these mill parts.