

COUNCIL ACTION FORM

SUBJECT: POWER PLANT COMPRESSOR AND DRYER

BACKGROUND:

This bid is for the purchase of a compressor and dryer for the City's Power Plant. There are a total of four air compressors (two instrument and two service) that supply air for operation and maintenance in the Power Plant. Generation Units #7 and #8 each contain one instrument and one service air compressor. There are also smaller air compressors used outside of the Plant facility that are located at the Refuse Derived Fuel Bin and at both of the Gas Turbines.

The instrument air compressor for Unit #7 is the compressor that needs to be purchased now. This compressor supplies air that moves the damper positioners and control valves in the unit control. If this air supply is lost, the Plant does have the capability to open a crossover to Unit #8, but then there is no redundancy in the control air system. As a result, this will also put a burden on the capacity of the Unit #8 compressor.

The air dryer is used to dry the air from the compressor which helps enable the systems to operate properly and remain contaminant free. The air dryer normally takes the air quality to a point where it is capable of operating to as low as 40 degrees below zero. This feature is needed because some controls are outside in the elements. Without the dryer, the system would obtain moisture and other impurities which would cause system failure in a short amount of time.

Power Plant staff requested that the manufacturer of the compressor and air dryer be Atlas Copco in order to match other compressors in the Plant. The primary reasons Plant staff specified an Atlas Copco compressor are that its rotary compressor is superior to a reciprocating compressor, its purchase will allow the Plant to keep inventories of spare parts to a minimum, its screw drive feature operates better in the Plant's dusty environment, and this compressor has a proven track record in operating in our plant environment. The 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 determined that the cost of maintaining these units has been very good for the past ten to twelve years and the service provided through the Atlas Copco representatives has been exceptional.

On March 25, 2010, the bid document was issued to twelve (12) potential bidders. The bid was also sent to one plan room. On April 15 2010, a single bid was received as shown below:

Atlas Copco Compressors, LLC, Tipton, IA	\$64,808.83
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Staff has reviewed the bid and concluded that 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 who quoted is the only authorized one for this area. A Purchasing Agent from the City spoke with Atlas Copco about the bid and the potential problems it could cause. The representative mentioned that Iowa is treated as a "direct state" as opposed to a state where there are multiple distributors. As a result, he says that the City is receiving factory direct pricing without the distributor mark-up. Atlas Copco provided staff a list of distributors that sell their equipment in some major markets in the Midwest. Staff contacted some of those distributors to get pricing on this compressor and dryer to insure that the City is receiving a good price from the local factory direct location in Iowa.

Funding is available from the approved 2009/10 Electric Production operating budget, which contains \$47,000 for compressor equipment and \$20,000 for the air dryer.

ALTERNATIVES:

1. Award a contract to Atlas Copco Compressors, LLC, Tipton, IA, for the compressor (\$48,150) and air dryer (\$16,658.83), for a total award in the amount of \$64,808.83 (inclusive of Iowa Sales Tax).
2. Reject the single bid received and direct staff to rebid.

MANAGER'S RECOMMENDED ACTION:

Purchase of the compressor and dryer insures continued efficient operation of equipment for both Units #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 and dryer from this manufacturer, staff can maintain uniformity throughout the Plant which could result in lower maintenance costs and greater service efficiencies. Staff has performed due diligence to validate that the pricing quoted was reasonable and just.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby awarding a contract to Atlas Copco Compressors, LLC, Tipton, IA, for the compressor and air dryer in the amount of \$64,808.83 (inclusive of Iowa Sales Tax).