

COUNCIL ACTION FORM

SUBJECT: POWER PLANT UNIT 8 WATERWALL INSTALLATION

BACKGROUND:

On February 9, 2010, City Council approved preliminary plans and specifications for the Unit 8 Waterwall Installation. This project will address tube wastage in Unit No. 8 boiler by replacing the waterwalls below the 165 feet and 150 feet elevations to the lower weld lines. The approved 2009/10 Capital Improvements Plan includes \$4,876,106 for Unit No. 8 waterwall tube materials purchase and installation at the City's Power Plant. This major maintenance project will address the conditions in the lower boiler which have created the numerous outages experienced by the Utility in the last few years as tubes have ruptured.

On April 28, 2009, Council approved the procurement of the waterwall material required for this project. The material has been delivered to the Power Plant at a cost (with change orders 1-4) of \$1,681,052. **This portion of the project is for the installation of the purchased material and the field application of AmStar 888c coating to the uncoated areas in the lower furnace.**

Bid notices were sent to twenty-nine potential bidders. Twenty of the twenty-nine notified requested the bid documents to be issued to them. The bid was advertised on the Current Bid Opportunities section of the Purchasing webpage and a Legal Notice was published in the Ames Tribune. The bid was also sent to one plan room.

On March 10, 2010, bids were received as shown on the attached report. Electric Services staff reviewed the bids and contacted AZCO's submitted project references. Muscatine Power & Water staff advised City of Ames staff that AZCO has performed exceptionally for them on three projects that were valued at greater than one million dollars in the last two years. AZCO was the low bid on these projects by a significant margin. Staff concluded that the apparent low bid in the amount of \$2,417,106.13 submitted by AZCO INC., Menasha, WI, is acceptable.

AZCO took numerous exceptions to the City of Ames Standard Terms & Conditions on its bid submittal. Staff consulted the City Attorney and City Risk Manager to identify the exceptions taken that would be unacceptable for the City. After the objectionable exceptions were identified, staff communicated to AZCO that those exceptions must be retracted if AZCO still wants to be considered for this project. In AZCO's response, it agreed to retract all of those disputed exceptions. AZCO also provided clarification on some remaining exceptions for which additional information was needed before a recommendation could be made. The City Attorney and City Risk Manager were again consulted on those clarifications, and both approved the exceptions. As a result, AZCO

and the City are in mutual agreement on the contractual terms & conditions on this project. Minor exceptions were made on bond language (limits were as required), and on the insurance language (again, coverage limits were as required by the City). The City's Risk Manager has approved the insurance language revisions.

The original schedule for the project was for a spring outage, but this project has been delayed to the fall awaiting a regulatory determination. We expect to receive the determination in mid-summer. There is a unique provision built into this contract whereby it can be cancelled should the City not receive regulatory approval within 180 days of the bid due date, which is September 10, 2010.

The Engineer's estimated cost for the installation was \$3,575,000, which includes a contingency amount of \$260,000. Of the \$4,876,106 budgeted in the 2009/10 Capital Improvements Plan, \$3,142,492 remains in the current project budget for the completion of this work.

ALTERNATIVES:

1. Award a contract to AZCO INC., Menasha, WI, for the Unit 8 Waterwall Installation project in the amount of \$2,417,106.13.
2. Reject all bids and delay the installation of the lower Unit 8 waterwall.

MANAGER'S RECOMMENDED ACTION:

This project will address Unit No. 8 tube wastage by replacing the lower waterwalls in the Unit 8 boiler. The material is on site. It is crucial to do the installation during the fall maintenance outage to minimize downtime for the Unit 8 boiler, and to prevent the possible purchase of replacement power during peak times.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby awarding a contract to AZCO INC., Menasha, WI, for the Unit 8 Waterwall Installation project in the amount of \$2,417,106.13.



**INVITATION TO BID NO. 2010-122
UNIT 8 WATERWALL INSTALLATION**

| ENGINEER'S ESTIMATE | \$ 3,575,000.00 | |
|--|------------------------|---|
| BIDDER | TOTAL | PRICE DEDUCT FOR SCRAP/SALVAGE |
| AZCO, Inc., Appleton, WI | \$ 2,417,106.13 | N/A |
| Moorhead Machinery & Boiler Company, Minneapolis, MN | \$ 3,326,286.14 | \$ 1,800.00 |
| NAES Power Contractors, North Kansas City, MO | \$ 3,496,844.32 | N/A |
| Ragan Mechanical, Inc., Davenport, IA | \$ 3,673,900.00 | N/A |
| Plibrico Company, L.L.C., Omaha, NE | \$ 3,947,262.39 | N/A |
| Hayes Mechanical, Omaha, NE | \$ 3,994,500.71 | N/A |
| Associated Mechanical, Inc., Olathe, KS | \$ 4,137,253.49 | N/A |
| Capital City Boiler & Machine Works, Inc., Des Moines, IA | \$ 5,677,717.63 | \$ 350.00 |