

**COUNCIL ACTION FORM**

**SUBJECT: APPROVE CONTRACT CHANGE ORDER FOR POWER PLANT UNIT 8  
WATERWALL INSTALLATION**

**BACKGROUND:**

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.

On April 27, 2010, City Council awarded a contract to AZCO Inc. for Unit No 8 Waterwall Installation Project in the amount of \$2,417,106.13. City Council may recall that this project was originally scheduled to be completed during the power plant's spring outage, but was delayed to the fall awaiting a regulatory determination from the Iowa Department of Natural Resources (DNR). Staff expected to receive the determination in mid-summer. There was a unique provision built into the contract whereby it could be cancelled should the City not receive regulatory approval within 180 days from the bid due date, which was September 6, 2010.

As additional background information, the City filed a request with the DNR for this project (and others) on May 26, 2010, seeking the DNR's concurrence that the projects would not exceed New Source Review-Prevention of Significant Deterioration (NSR-PSD) "significance" criteria. At that time, staff expected a response from the DNR within 60 days from the date of staff's filing, based upon earlier discussions staff had with the DNR. However, DNR staff (in its review of the City's original request) had follow-up questions and issues which required additional discussions and meetings. The City also was required to submit additional supplemental information (filed on September 10, 2010) which DNR staff felt was necessary for them to make their determination. Because it is very important from both a regulatory and practical point-of-view to be able to commence work this year at the earliest possible opportunity, staff felt strongly that it was in the City's best interest to keep the AZCO bid (and subsequent contract) in place. This will allow staff to react quickly and commence work once a determination is received from the DNR. Moreover, if this work was re-bid, the City would not only lose the ability to commence work quickly, but would also risk that any new bids would be less attractive in regards to both price and contract terms.

Council should note that two change orders have been approved for this contract to this point. Change Order No. 1 was for an extension of the contract expiration date from September 6, 2010, to October 6, 2010. This change order allowed staff additional time to receive a determination from the DNR and also for AZCO to propose its increase in cost to the City associated with a future extension of the contract expiration date by 180 days. **There was no cost for Change Order No. 1.**

Change Order No 2 was for an extension of the contract expiration date from October 6, 2010, to October 21, 2010. This change order allowed staff and AZCO additional time to negotiate an agreement on AZCO's proposed cost increase for the 180 day extension, and allowed for time to present it to the City Council. **Again, there was no charge for Change Order No. 2.**

The current proposed change order would be Change Order No. 3. This change order will extend the contract expiration date by 180 days from the original contract expiration date of September 6, 2010. The new expiration date will be March 5, 2011.

**The cost of this change order would be for the amount of \$396,200.00. The basis of this change order is the contractor's additional cost arising from increases in wage rates, fuel costs, equipment costs and risk associated schedule slippage. The total for the project with Change Order No. 3 will be \$2,813,306.13. However, the total amount for this contract, including this change order, remains significantly less than the second lowest bid the City received on this project back when it was originally awarded in April of 2010. As the attached bid tabulation sheet shows, that bid was \$3,326,286.14. The current contract with AZCO, including Change Order No. 3, is still \$512,980 less than the second lowest bid in the original bid process.**

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 approved 2009/10 Capital Improvements Plan, \$3,142,492 remains in the current project budget for the completion of this work. This amount has been carried over to the current year.

#### **ALTERNATIVES:**

1. Approve contract Change Order No. 3 to AZCO. Inc., in the amount of \$396,200.00 and extend the contract expiration date of the Unit 8 Waterwall Installation Project by an additional 180 days, to March 5, 2011.
2. Reject contract Change Order No. 3, allow the contract to expire and direct staff to rebid this project.

#### **MANAGER'S RECOMMENDED ACTION:**

This project will address Unit No. 8 tube problems by replacing the bottom 50 feet of tubing in the boiler. The change order proposed here will provide the City additional time to receive a regulatory determination from the DNR. **Even though this change order significantly increases the cost of this project with AZCO, it is still significantly less than the second low bid received. It is also much lower than the Engineer's estimate and the budgeted amount remaining in the original 2009/10 CIP project budget. Additionally, there is the potential of significant risks to the City in the form of higher costs and longer delays if this change order is not implemented and the contract is allowed to expire.**

**Should the City not receive a determination letter from the DNR before the first of next year, staff will need to evaluate the advantages of continuing this contract versus rebidding the project at a future time.**

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving contract Change Order No. 3 to AZCO, INC., in the amount of \$396,200.00, and extending the contract expiration date of the Unit 8 Waterwall Installation Project by an additional 180 days.



September 23, 2010

Mr. Casey Bassett  
Procurement Specialist II  
City of Ames Finance Department, Purchasing Division  
515 Clark Avenue  
Ames, IA 50010

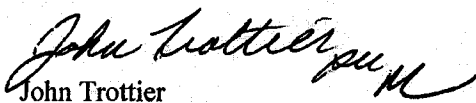
Subject: 180 Day Contract Extension Change Order  
**AZCO INC. Proposal No. 100105**

Dear Mr. Bassett:


AZCO INC. agrees to extend the contract as referenced by purchase order number 044900 for a period of 180 days past the original contract expiration date of September 6<sup>th</sup>, 2010 through March 5, 2011. This change order will increase the dollar value by Three Hundred Ninety Six Thousand Two Hundred Dollars (\$396,200.00) from \$2,417,106.13 to \$2,813,306.13. Our Change order reflects increases in wage rates, fuel costs, equipment costs, and risk associated with schedule slippage.

Very truly yours,

AZCO INC.

  
John Trottier  
Executive Vice President


AZCO INC.

  
Austin Krueger  
Estimator

:cab

c: M. Loper  
File

Old CAFE

	<b>INVITATION TO BID NO. 2010-122 UNIT 8 WATERWALL INSTALLATION</b>	
<b>ENGINEER'S ESTIMATE</b>	<b>\$ 3,575,000.00</b>	
<b>BIDDER</b>	<b>TOTAL</b>	<b>PRICE DEDUCT FOR SCRAP/SALVAGE</b>
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