

COUNCIL ACTION FORM

SUBJECT: APPROVE CONTRACT CHANGE ORDER 1 FOR FY 2010/2011 POWER PLANT BOILERS REPAIR AND MAINTENANCE CONTRACT WITH PLIBRICO

BACKGROUND:

The City's Electric Utility has two coal-fired-boiler, high-pressure-steam, generation units within the City's Power Plant. These units require regular professional maintenance and repair. This consists of emergency, as well as planned repairs and service. The repair of the boilers on these generation units requires professional trade crafts such as boilermakers, steam/pipe fitters, and millwrights. The crafts are certified to install and repair high-pressure vessel and tube equipment and other apparatus of the boiler units. The most important aspect of this work is to provide the dependable, high pressure certified welds required by the State Code.

Council awarded the current contract to Plibrico Company, LLC, Omaha, NE, on June 10, 2008, for boiler repair and maintenance to be furnished as requested during FY2008/2009. That contract included four optional twelve-month renewal periods and was renewed by City Council for FY2009/2010 on May 26, 2009. On May 11, 2010, City Council awarded the contract renewal with this same company for FY2010/2011 in the budgeted not to exceed amount of \$870,000 for work on both #7 and #8 boilers. Council should note that actual payments are based on time and material rates for actual work performed.

The proposed change order would be Change Order No. 1. This change order will add an additional \$450,000 to the current contract. Staff has determined that with the latest outage on Unit #8, the budgeted dollar amount will be exhausted. Staff has also determined that additional funds will be needed to finish the current repairs to Unit #8. These repairs include new tube material, water blasting of the old refractory, and application of the new refractory. **Refractory is applied to the carbon steel tubes just above the grates, to protect them from extreme heat and combustion by-products. This is a nickel-based material which works with the inconel coating, which is a concrete or ceramic type material.**

It is important to note that when the larger waterwall tube replacement occurs later, the refractory put in at this time will be removed and discarded. Remaining funds will cover any other potential tube leaks that may arise before the current budget year ends on June 30, 2011. Wall tubes are tentatively scheduled for replacement in the fall of 2011. Council may recall that the installation of the new waterwall tubes will be conducted by a different contractor.

Council should note that the FY2008/2009 budget had \$920,000.00 adopted to cover costs incurred under this contract, and FY2009/2010 budget had a total of \$1,070,000.00 at final amendment. The FY2010/2011 adopted budget was reduced

to the \$870,000.00 in anticipation of the new wall tubes being replaced. This did not happen during the current budget year.

With peaking season normally beginning in several weeks, staff feels that it is prudent to continue with the tube work and the application of the refractory to try to get the unit in condition to make it through to the fall outage. An extended outage during peaking season could cost the utility far more than the estimated \$175,000 which is needed to finish the current work.

The approved FY2010/2011 Power Plant operating budget included \$870,000 for this contract. Of that amount, \$570,000 was budgeted for work on Unit #8. Staff has already redirected the budgeted dollars for Unit #7 to complete repairs on Unit #8 prior to this proposed change order #1. Staff believes that there will be enough savings in the following accounts at end of year to cover the \$450,000 in this change order.

Unit #7 Auxiliary Equipment	\$50,000
Unit #8 Auxiliary Equipment	\$300,000
Unit #8 Steam Turbine and General Maintenance	\$100,000

ALTERNATIVES:

1. Approve contract Change Order No. 1 to Plibrico Company, LLC, in the amount of \$450,000. This will bring the total FY2010/2011 contract value to a not-to-exceed amount of \$1,320,000.
2. Reduce the Change Order to \$100,000 to accomplish the current work, allowing for fewer funds to be available for emergency repairs to either Unit #7 or #8.

MANAGER'S RECOMMENDED ACTION:

This work is necessary to ensure that a qualified professional firm will respond to both scheduled and emergency needs for boiler repair and maintenance, and controls costs by having established billing rates. It is critical to have Unit #8 available for the upcoming peaking season to prevent the need of purchasing replacement energy at higher than production costs. It is also important to have sufficient funds available to address emergencies as they arise, and not have to delay the start of repair work until Council can convene.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving contract Change Order No. 1 to Plibrico Company, LLC, in the amount of \$450,000. This will bring the total FY2010/2011 contract limit to \$1,320,000.