

COUNCIL ACTION FORM

SUBJECT: WPC FACILITY METHANE ENGINE GENERATOR REHABILITATION

BACKGROUND:

On July 12, 2011, the City Council authorized issuance of a Notice to Bidders for the Water Pollution Control (WPC) Facility Methane Generator Rehabilitation Project. On July 26, the City received bids to provide all labor, equipment, materials, and other components necessary to complete the above-mentioned project according to City of Ames specifications.

A single bid was received as follows:

	<u>Lump Sum Bid</u>
Ziegler Power Systems, Altoona, IA	\$ 108,530.00

This project was needed after the methane generator failed late in the 2010-11 fiscal year. Funding for the rehabilitation was included in the 2010-11 final budget amendments at a cost of \$75,000. The anticipated cost for construction was \$70,000 based on a budget estimate received from Ziegler approximately three months prior to bid. However, the final bid is \$35,530 over that estimate.

Staff contacted Ziegler to understand the discrepancy between the budget estimate and the bid price. Ziegler offered the following reasons why their bid was higher than the budget, all of which were related to bidding requirements that were different from those assumed in their budget estimate:

1. Their standard practice is to provide remanufactured parts. Because the methane engines have previously experienced shorter than expected cycle times between overhauls, the specifications required new parts on some major items.
2. Their budget estimate did not include repainting the engine, which was required in the specifications.
3. Their budget estimate did not include training costs. The specifications included one day of on-site training on proper operation and maintenance of the engine.
4. Their budget estimate did not include shop consumables, which they included in the final bid.
5. Their budget estimate failed to include sales tax, which was included in the bid as required by the City's standard conditions.
6. Their budget estimate had assumed Ziegler's standard two years/2,000-hour warranty. This engine runs approximately 4,500 hours each year, and staff included a warranty requirement of two years or 9,000 hours. Ziegler had to obtain warranty

coverage from Caterpillar (the original equipment manufacturer) to provide the warranty required by the specification.

After reviewing the reasons for the discrepancy, staff believes that the single bid provided by Ziegler is appropriate based on the scope of work requested and, therefore, supports the award of this contract to Ziegler Power Systems.

On July 26, Council awarded a contract for the WPC Switchgear Maintenance Project, which came in under budget. It is proposed that \$46,400 in savings from the switchgear project now be redirected to the methane generator project, as shown below.

Switchgear Maintenance Project		Methane Engine #3 Overhaul Project	
Engineering	\$ 15,000	Engineering	\$ 2,000
Construction	31,854	Construction	108,530
Contingency (~20%)	6,346	Contingency (~10%)	10,870
Total Cost	\$ 53,200	Total Cost	\$121,400
Budget	\$100,000	Budget	\$ 75,000
Anticipated Savings	\$ 46,800	Anticipated Shortfall	\$ 46,400

ALTERNATIVES:

1. Accept the single low lump sum bid of \$108,530 from Ziegler Power Systems of Altoona, Iowa to provide all labor, equipment, materials, and other components necessary to complete the WPC Facility Methane Generator Rehabilitation Project. Costs in excess of the budgeted amount will be transferred from savings of the WPC Facility Switchgear Maintenance Project.
2. Do not accept bids at this time for this project.

MANAGER'S RECOMMENDED ACTION:

The methane generator is an integral and vital component of the Water Pollution Control Facility, using biogas from the process to produce electricity and reduce electrical costs. Past experience has revealed challenges in keeping these methane generators in operation over time. It is clearly in the City's best interest to maintain this unit in a high degree of reliability.

Therefore, it is the City Manager's recommendation that the City Council adopt Alternative No. 1, thereby accepting the low lump sum bid of \$108,530 from Ziegler Power Systems of Altoona, Iowa.