

COUNCIL ACTION FORM

SUBJECT: POWER PLANT UNIT 8 AIR HEATER BASKET REPLACEMENTS

BACKGROUND:

On September 13, 2011, City Council approved preliminary plans and specifications for Power Plant Unit 8 Air Heater Basket Replacement. This project involves the purchase and installation of basket and associated materials that need to be replaced in the regenerative air heaters on Unit 8.

Bid documents were issued to eight potential bidders. The bid was advertised on the Current Bid Opportunities section of the Purchasing webpage and a Legal Notice was published in the Ames Tribune.

On October 12, 2011, two bids were received as shown below:

| | |
|---|----------------|
| Alstom Power, Inc., Wellsville, NY | \$95,962.00 |
| Tesla Energy Solutions, LLC, Wildomar, CA | Non-Responsive |

After evaluation, staff determined that the bid submitted by Tesla Energy Solutions is non-responsive. The non-responsiveness of the proposal was based upon (1) the firm provided pricing on components of the air heater only and not on the air heater itself, and (2) the firm not providing bid security with its bid.

As a result, only one bid from Alstom Power, Inc. remains for consideration in the amount of \$95,962.00 (inclusive of sales-tax). Staff has reviewed the bid and concluded that it is acceptable.

Alstom Power, Inc., took numerous exceptions to the City of Ames Standard Terms & Conditions on its bid submittal. The City Attorney and Risk Manager helped identify the exceptions taken that would be unacceptable for the City. After the objectionable exceptions were identified, staff communicated to Alstom the two that presented the greatest risks to the City and requested one of them to be withdrawn and the other one to be altered to mutually agreeable terms and conditions. Alstom subsequently agreed to these two requests.

Council should note that one of the remaining exceptions was for the City to waive the 5% retention and use a performance bond for substitution. The City Attorney commented that the

“performance bond provision is OK under the terms of the Code,”(Iowa Code) “but normally we would have a performance bond plus the ability to withhold up to 5%

of the contract price until the project is accepted. Alstom is not agreeing to any retainage -- which kind of makes sense since all they are doing is supplying parts. But if there is a problem that is not discovered until after installation, the City's position will be weaker since we won't have retainage on the parts portion of the project."

The performance bond and the manufacturer's warranty should still minimize the risk to the City despite the aforementioned exception. The remaining exceptions did not pose any major risk to the City since this portion of the project is only for the procurement of parts.

The approved 2011/12 budget and Capital Improvements Plan include \$150,000 for this Unit #8 Air Heater Basket Replacement project. This includes \$100,000 for the materials and \$50,000 for the installation.

ALTERNATIVES:

1. Award a contract to Alstom Power, Inc., Wellsville, NY, for the Unit 8 Air Heater Baskets in the amount of \$95,962.00.
2. Reject all bids and rebid the project, thereby delaying the replacement of the air heater baskets.

MANAGER'S RECOMMENDED ACTION:

Air heater baskets are subject to long term corrosion due to exhaust gas and operating conditions. Periodic replacement is required in order to maintain operability and high efficiency. As is noted above, poorly maintained air heater baskets increase costs for the utility, and there is a significant risk of damage to the downstream fans, ductwork and stacks.

Accepting the low bidder's exception to our ability to withhold a retainage amount does pose a minor risk to the City which should be mitigated by the issuance of a performance bond and the manufacturer's warranty.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby awarding a contract to Alstom Power, Inc., Wellsville, NY, for the Unit 8 Air Heater Baskets in the amount of \$95,962.00.