

COUNCIL ACTION FORM

SUBJECT: POWER PLANT STEAM TURBINE NO. 8 PARTS PROCUREMENT

BACKGROUND:

On September 27, 2011, City Council approved preliminary plans and specifications for the steam turbine No. 8 parts procurement. This project is for the procurement of critical and long lead time steam path parts for the Unit 8 turbine-generator. The unit is scheduled to be disassembled and inspected after over 20,000 hours of operation during the fall 2012 outage. This work is required to replace and repair worn parts and to inspect the turbine and generator for repairs that may be needed to avoid more serious damage, including catastrophic failure of equipment. Repairs of worn parts will be completed as the inspection progresses.

Bid documents were issued to nineteen 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. The bid was also sent to one plan room.

City Council may recall that on November 9, 2011, three bids were received and then evaluated by Electric Services staff. After their evaluation, staff found one of the bids to be non-responsive because bid security was not submitted with the bid. As a result, two bids remained with each one containing additional terms and conditions that were submitted along with their bids. Staff needed additional time to review those terms before a recommendation could be made to Council. Additionally, staff needed time to determine which parts to purchase now, and which ones would benefit from third party competition.

Council may recall that during the fall 2012 outage, staff planned to have reputable third party suppliers be given the opportunity to inspect the turbine while it is open, thus allowing them to acquire the necessary information to be able to provide bids for turbine parts.

After extensive evaluation, Electric Services staff determined that the best course of action is to not make extensive replacement of parts during the upcoming overhaul, but to make one more repair. This may result in an extension of the planned outage if long term repairs are needed. However, the opportunity to inspect and measure individual components by third party parts suppliers will result in competition for the parts and lower costs for the parts. To purchase all the parts from the OEM was over \$2 million, and staff estimates a 20% savings using third party suppliers. As a result, staff is recommending that Council reject all bids.

ALTERNATIVES:

1. a. Reject all bids received for the steam turbine no. 8 parts procurement.

b. Proceed with the overhaul with the intent to make necessary repairs and allow third party suppliers to obtain information that will allow them to make future replacement parts and supply them at a lower cost to the City of Ames.
2. Award a contract to the apparent low bidder, Argo Turboserve Corp., based on unit prices bid.

MANAGER'S RECOMMENDED ACTION:

The Unit 8 Turbine-Generator is scheduled for a major overhaul in the fall of 2012. Turbine-generator overhauls are typically performed in the industry about every five years to restore unit efficiency and to maintain good unit life and reliability.

Alternative No. 1 will defer the parts procurement until the turbine is opened up for the overhaul, so as to allow third party suppliers to obtain the information they need in order to provide a bid on future blade needs. This could result in increased competition (potentially eliminating a single/sole source scenario), which could significantly lower the costs and lead times of procuring these parts.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.



**IFB 2012-021 Steam Turbine No. 8 Parts Procurement Bid
Tabulation**

Bidder: Regenco, West Allis, WI

Description	U/M	Qty	Unit Price	Tax	Non-taxable freight	Extended Price
Rotating Blades or Buckets by Stage						
First (both rows)	LOT	1	\$106,100.00	\$7,427.00	\$400.00	\$113,927.00
Second	LOT	1	\$68,900.00	\$4,823.00	\$200.00	\$73,923.00
Third	LOT	1	\$68,900.00	\$4,823.00	\$200.00	\$73,923.00
Fourth	LOT	1	\$68,900.00	\$4,823.00	\$200.00	\$73,923.00
Fifth	LOT	1	\$68,900.00	\$4,823.00	\$200.00	\$73,923.00
TOTALS:			\$381,700.00	\$26,719.00	\$1,200.00	\$409,619.00

SUPPLIER PROVIDED ALTERNATES/OPTIONS

Description of Alternate	U/M	Qty	Unit Price	Tax	Non-taxable freight	Extended Price
Installation of stages 1-5 in HP Rotor	ea	1	\$84,700.00	\$5,929.00	\$5,000.00	\$95,629.00

Field Services: To be provided on a per diem basis as directed by the City.

Description	Rate
SHOP:	
Technician	\$99.00
Specialized Technician	\$114.00
Light Machining	\$99.00
Medium Machining	\$146.00
Heavy Machining	\$177.00
FIELD:	
Technician	\$109.00
Lead Technician	\$120.00
Foreman	\$130.00
Site Technical Director	\$166.00
Balance Technicians	\$203.00
ENGINEERING	
Engineer	\$177.00
Project Manager	\$177.00
Principal Engineer	\$224.00