

COUNCIL ACTION FORM

SUBJECT: POWER PLANT UNIT 8 FEEDWATER HEATER REPLACEMENT

BACKGROUND:

On March 6, 2012, City Council approved preliminary plans and specifications for Unit 8 Feedwater Heater Replacement. This project is for a contractor to supply and replace feedwater heaters on Power Plant Unit 8.

Bid documents were issued to twenty-three 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 three plan rooms.

On April 11, 2012, two bids were received as shown below:

Bidder	Alternate 1: 70-30 Cu-Ni Material	Alternate 2: T-22 Material
SPX Heat Transfer, Inc., Bethlehem, PA	\$825,697	\$752,007
HOLTEC International, Inc., Marlton, NJ	Non-Responsive	

Council should note that the bid document contained two alternatives on which the bidders could submit a bid. Electric Services staff reviewed both alternatives and determined that the Alternate 2: T-22 Material would be most appropriate.

The bid submitted by HOLTEC International, Inc., was found to be non-responsive because bid security was not submitted with its bid.

As a result, the only bid remaining for consideration is from SPX Heat Transfer., Bethlehem, PA in the amount of \$752,007. Staff has reviewed the bid and concluded that it is acceptable. SPX Heat Transfer, Inc. is not licensed to collect sales taxes for the State of Iowa. Therefore, the City would pay applicable Iowa Sales Taxes in the amount of \$44,654.89 directly to the State.

SPX Heat Transfer took numerous exceptions to the City of Ames Standard Terms & Conditions on its bid submittal. The City Attorney identified two exceptions taken that would pose the greatest risk for the City. In regards to the two exceptions, the City Attorney's comments are as follows:

Exception 1:

“City’s bidding document terms require the contractor to indemnify the City for any claims based on the contractor’s work. The exception taken by SPX effectively limits the contractor’s responsibility to claims based on gross negligence or willful misconduct, thereby shifting responsibility for claims based on contractor’s negligent acts or omissions to the City.”

Exception 2:

“The exception to the City’s bidding document taken by SPX caps contractor’s liability at the contract price, directly contradicting other sections of the standard terms and conditions, thereby shifting some risk from the contractor to the City.”

Staff has reviewed the exceptions proposed by SPX and have determined that it is worth the risk by agreeing to the two exceptions taken. SPX is the parent behind the brand of YUBA Feedwater Heaters, which is a recognized top tier supplier of this equipment in the power industry.

The Engineer’s estimate of the total contractor cost of this project for Unit 8 is \$875,000.

The 2012/13 Capital Improvements Plan includes \$980,000 for Feedwater Tube Replacement for Unit 8, while the 2014/15 CIP includes \$980,000 for the future Feedwater Tube Replacement planned for Unit 7.

ALTERNATIVES:

1. a. Agree to the exceptions to the terms and conditions of the City of Ames bidding document.

b. Award a contract to SPX Heat Transfer, Inc., Bethlehem, PA, for the Unit 8 Feedwater Heater Replacement in the amount of \$752,700 plus applicable sales taxes to be paid directly by the City of Ames to the State of Iowa.
2. Reject all bids and delay the replacement of the Unit 8 feedwater heaters.

MANAGER'S RECOMMENDED ACTION:

Feedwater heaters are subject to long term corrosion and wear due to operating conditions in the Plant. Replacement is required in order to maintain operability and high efficiency. As is noted above, poorly maintained feedwater heaters increase costs for the utility, and there is a risk of damage to the boiler due to a higher firing rate. Additionally, staff has already obtained a construction permit for this project, so there is minimum risk of anticipated delays in beginning the work.

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