

COUNCIL ACTION FORM

**SUBJECT: POWER PLANT BOILERS VALVE MAINTENANCE SERVICES
CONTRACT RENEWAL**

BACKGROUND:

The City's Electric Utility has two coal-fired, high-pressure steam generation units within the Power Plant, referred to as Unit No. 7 and Unit No. 8. These units require regular professional maintenance and repair. This valve maintenance contract supplies professionals for emergency service, as well as regularly scheduled planned repairs and services during scheduled outages. The repair of the valves on these generation units requires professional trade crafts such as boilermakers; steam/pipe fitters; and millwrights, to list a few.

Because of the need to regulate steam and water in the power production process, numerous valves are used to operate the Power Plant. These include isolation, control, check, relief and safety valves, which must be professionally repaired, tested, installed, replaced and maintained. Specially trained personnel perform this work. This contract is to provide valve maintenance, testing, repair, replacement, and related services and supplies for the Power Plant boilers.

On June 23, 2009, City Council awarded a contract to Ferguson Process Services, Cannon Falls, MN, for valve maintenance services to be furnished as requested from July 1, 2009, through June 30, 2010, in an amount not-to-exceed \$115,000. This contract contained the option for the City to renew in one-year increments for up to five additional years.

Electric Services staff recommends renewing the agreement for FY 2012/13. It is worth noting that Ferguson Process Services was acquired by Allied Valve, Inc., Bettendorf, IA. For FY 2010/11, Allied Valve, Inc., contacted staff about this change in ownership and agreed to renew this contract with the same terms, conditions, prices and price increase percentages for renewal periods that were agreed upon on the initial contract established with Ferguson Process Services.

The rate increases at each renewal period under this contract is 3% fixed above the previous fiscal year contracted rates. These increases are in accordance with the contract terms initially established. This is the third renewal out of five maximum.

The FY 2012/13 operating budget for Electric Production includes \$55,000 for miscellaneous services to be performed under this contract. **Payments would be**

calculated on unit prices bid and actual work performed, up to the available budget amount.

ALTERNATIVES:

1. Approve the contract renewal with Allied Valve, Inc., Bettendorf, IA, for valve maintenance, testing, repair, replacement, and related services & supplies, for the one-year period from July 1, 2012, through June 30, 2013, and approve contract and bond. Work will be scheduled on an as needed basis and payments will be based on unit prices bid and actual work performed. Total work in FY 2012/2013 shall be an amount not to exceed \$55,000.
2. Do not renew the agreement and instruct staff to seek new competitive bids.

MANAGER'S RECOMMENDED ACTION:

This work is necessary to properly maintain the steam turbine generators and to carry out emergency and scheduled repairs resulting from equipment failures. It has proven cost-effective for the Utility to have a company under contract to provide these valve-related services in case of an emergency repair or scheduled maintenance event. It has saved staff time, reduced down time and allowed for predictability in terms of quality of work.

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