

**COUNCIL ACTION FORM**

**SUBJECT: POWER PLANT STEAM TURBINE NO. 8 OVERHAUL**

**BACKGROUND:**

Steam Turbine No. 8 is scheduled to be disassembled and inspected after over 27,000 hours of operation during the spring 2013 outage. This work is required to replace worn parts and inspect the turbine and generator for repairs that may be needed to avoid more serious damage. Repairs and replacement of worn parts will be completed as the inspection progresses. Experience has shown that certain parts require replacement every outage and some parts become unusable during the disassembly process. Also worn sections and cracks found during the inspection require various types of weld repairs.

On October 9, 2012, City Council awarded the contract for the procurement of the steam turbine parts required for this project. The parts have been, and continue to be, delivered to the Power Plant, at a cost of \$526,086.90 (inclusive of IA sales-tax) plus freight.

On January 22, 2013, City Council awarded the contract for the Steam Turbine No. 8 Overhaul in the amount of \$807,800.00 project. This amount consists of: 1) \$443,800.00 for the lump sum base bid contract portion; 2) \$91,500.00 for the Time & Materials based "not to exceed" contract portion; and 3) \$272,500.00 for the estimated Time & Materials based contract portion.

**This portion of the project is for the procurement of professional technical service for this project.** Professional technical service is utilized during major turbine generator work to provide instructions and advice on disassembly and reassembly, parts replacement and repair procedures. **With significant repairs anticipated, problems the City faced during the unit #7 overhaul, and value of parts procured, staff believes it will be very beneficial to procure the professional technical assistance from General Electric International, Inc. (GE) who is the Steam Turbine No. 8 manufacturer and parts supplier.**

A GE field engineer on-site will ensure that all OEM recommendations are known and followed, and bring OEM resolution of any turbine generator problems found. Issues with any of the parts installed (procured from GE/ARGO) can be resolved quickly with the GE engineer. Also the warranty on spare parts doubles when the spare parts are installed under the auspices of a GE field rep who witnesses the installation and can verify installation was done according to proper procedures.

**For these reasons, staff is requesting that the City Council waive the City's purchasing policies requiring request for proposals and award a contract to**

**General Electric International, Inc., Omaha, NE for Time & Materials not to exceed \$256,870 for providing technical direction for the Steam Turbine No. 8 Overhaul.**

The approved FY 2012/13 Budget and Capital Improvements Plan includes \$3,500,000 for the turbine generator overhaul including parts, professional technical assistance, and contractor services. As mentioned earlier: 1) the parts were awarded in the amount of \$526,086.90 (inclusive of IA sales-tax) plus freight; and 2) the overhaul portion was awarded in the amount of \$807,800.

To date, the project budget has the following items encumbered:

1.	\$526,086.90*	Actual cost for Unit #8 Steam Turbine Parts. *Council should note this total does not include freight. The City will reimburse the contractor for actual delivery costs.
2.	\$807,800.00**	Actual cost of Base Bid, plus cost-not-to-exceed Options for Steam Turbine No. 8 Overhaul. ** Council should note total consists of: 1) \$443,800.00 for the lump sum base bid contract portion; 2) \$91,500.00 for the T & M based "not to exceed" contract portion; and 3) \$272,500.00 for the estimated T & M based contract portion.
3.	<b>\$256,870.00</b>	<b>A cost-not-to-exceed for GE representative to provide technical direction for this overhaul. (this item)</b>
Total \$1,590,756.90		

Work on this project would begin during the 2013 spring outage which is scheduled to start April 1, 2013.

**ALTERNATIVES:**

1. Waive the purchasing policy requirement for request for proposals and award a contract in the T & M not to exceed amount of \$256,870.00 to General Electric International, Inc., Omaha, NE for technical direction for the Steam Turbine No.8 Overhaul.
2. Do not waive the purchasing policy requirement and advise staff to issue request for proposals for this service without the OEM knowledge base and warranty extension.

**MANAGER'S RECOMMENDED ACTION:**

The Unit 8 Turbine-Generator is scheduled for a major overhaul starting in the spring of 2013. 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. Without

this overhaul, the Power Plant's performance would degrade considerably over time and the risk of catastrophic failure will increase. Alternative No. 1 will help ensure that problems are resolved and repairs are completed in the best possible manner for the benefit of the City of Ames' Unit # 8. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.