

**COUNCIL ACTION FORM**

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

**BACKGROUND:**

The Electric Utility's two high-pressure steam generation units in the City's Power Plant are referred to as Units No. 7 and 8. These units require regular professional maintenance and repair. This consists of emergency service, as well as regularly scheduled planned repairs and services during scheduled outages. Services include a large variety of boiler and pressure vessel maintenance and repairs, structural steel, pump and piping work, and other miscellaneous mechanical Power Plant work.

Due to these operational conditions, 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.

On August 11, 2015, Council awarded a contract to Dowco Valve Co, Inc., Hastings, MN, for the Valve Maintenance, Related Services and Supplies Contract for Power Plant. These services were to be furnished as requested from the award date through June 30, 2016, in an amount not-to-exceed \$70,000.

This contract included the option for the City to renew in one-year increments for up to four additional years. Staff recommends renewing the agreement for FY 2016/17. There is a rate provision under this contract that increases rates at fixed percentages above the previous fiscal year's contracted rates at time of renewal. The yearly rate increase are 3% for Labor, 2% for Travel & Subsistence, and 1% for Equipment & Tools. These increases are in accordance with the contract terms initially established. **This is the first renewal out of four maximum.**

**Staff recommends that these services continue to be outsourced on an annual renewable contract basis.** The benefits of having a contract for these services in place include the following:

- 1) Consistency of work and quality from a single contractor.
- 2) Reduction in the City's exposure to market forces regarding prices and availability for labor, travel, and supplies in preparation for a scheduled outage.
- 3) Rapid contractor mobilization to start emergency repairs, thus reducing generation downtime.
- 4) Saved City staff time obtaining quotes, evaluating bids and preparing specifications and other procurement documentation.

The approved FY 2016/17 Power Plant operating budget includes \$90,000 for this contract. Invoices paid will be based on contract rates for time and materials for services actually received.

**ALTERNATIVES:**

1. Approve the contract renewal with Dowco Valve Co, Inc., Hastings, MN, for the Valve Maintenance, Related Services and Supplies Contract for Power Plant for the one-year period from July 1, 2016, through June 30, 2017, and approve the contract and bond. Total work in FY 2016/17 shall be an amount not to exceed \$90,000.
2. Do not renew the agreement and direct staff to seek new competitive bids.

**MANAGER'S RECOMMENDED ACTION:**

This work is necessary to ensure that a qualified professional firm will respond to both scheduled and emergency needs for valve maintenance, and will also control costs by having established billing rates. Funds will be expended only as work is required and in accordance with approved invoices.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 as stated above.