

COUNCIL ACTION FORM

SUBJECT: BOILER MAINTENANCE SERVICES CONTRACT FOR POWER PLANT- CHANGE ORDER NO. 1

BACKGROUND:

This contract consists of a variety of boiler and pressure vessel maintenance, including structural steel and pressure vessel repair. This consists of emergency service, as well as regularly planned repairs and services during scheduled outages.

On June 27, 2017, Council approved the contract renewal with TEI Construction Services, Inc., Duncan, SC, for the Boiler Maintenance Services Contract for Power Plant for the one-year period from July 1, 2017, through June 30, 2018 in the amount not to exceed \$210,000. Plant outages, resulting from boiler tube failure, has caused staff to use more than what was originally budgeted.

The proposed change order would be Change Order No. 1. This change order will add an additional \$350,000 to the current contract for FY2017/18. This will bring the total contract amount to \$560,000.

This Change Order is needed to increase the amount of funds in the current fiscal year contract. The amount of boiler tube repair required to date is much more than what was expected and the funds have been exhausted. Without this change order there will not be enough funds available to perform planned boiler work during the plant's spring outage, and possible future unplanned/emergency boiler repairs needed during the remaining months of this current contract term. **The Council should understand the additional funds authorized in this change order will not be spent unless needed.**

The \$210,000 for the original contract was approved in the FY2017/18 Power Plant operating budget for Electric Production. **The additional funding to cover this \$350,000 change order will come from Unit 7 and Unit 8 Boiler Maintenance accounts. Under this same Boiler Maintenance account, the City Council had approved a different Purchase Order with Pro Energy, another general boiler maintenance company, in an amount of \$425,000. The Pro Energy Purchase Order has been closed, allowing staff the ability to reallocate the unspent dollars to cover the TEI Change Order. Invoices will be based on contract rates for time and materials for services that are actually received. (See table below)**

Vendor	Original Purchase Order Amount	Spent to date	Available Balance	New Contract Allocation
Pro Energy	\$425,000	\$4,250	*\$420,750	\$4,250
TEI	\$210,000	\$191,643	\$18,357	\$560,000
TOTAL	\$635,000	\$195,893	\$439,107	\$564,250

* Purchase Order Closed and balance returned to the Boiler Maint. account

ALTERNATIVES:

1. Approve contract Change Order No. 1 with TEI Construction Services, Inc., Duncan, SC for the Boiler Maintenance Services Contract for Power Plant in the not-to-exceed amount of \$350,000. This will bring the total FY2017/18 contract value to a not-to-exceed amount of \$560,000.

2. Do not approve the change order.

MANAGER'S RECOMMENDED ACTION:

This change order is necessary to ensure a qualified professional firm will respond to both scheduled and emergency needs for boiler repair and 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. No new funds will be required to satisfy this Change Order since funds remain from the Pro Energy contract are no longer needed.

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