

COUNCIL ACTION FORM

SUBJECT: BOILER MAINTENANCE SERVICES CONTRACT FOR POWER PLANT- CHANGE ORDER NO. 5

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 significantly more of TEI's services than what was originally budgeted.

The action being requested is to approve Change Order No. 5 to the Boiler Maintenance Services Contract. This change order will add an additional \$230,000 to the contract for FY2017/18. This will bring the total contract amount to \$1,290,000.

The amount of boiler tube repair required through the 2017/18 fiscal year, especially the last quarter, was much more than expected. Burning Refuse-Derived-Fuel with natural gas is causing rapid boiler tube deterioration on uncoated tubes, in the superheat section. This did not occur when firing with coal. Long term plans are to replace the tubes with Inconel-coated tubes. However, long material lead times have forced staff to take intermediate steps in order to return the unit to operation and continue to burn the county's garbage.

There were many repairs performed on the boiler during the remaining three months of the 2017/18 fiscal year involving many contractors on site. The tracking process that was being used, failed to identify billable time that a subcontractor of TEI Construction worked for the City in the middle of April. This failure was not found until July 12th when the Power Plant was invoiced for such time. The tracking process has since been corrected. This Change Order is needed to increase the amount of funds in the 2017/18 fiscal year contract to cover the remaining work that was performed in order to keep the boiler operating.

CHANGE ORDER HISTORY:

Four change orders were previously issued for this contract.

- Change Order No. 1 for \$350,000 was to increase the amount of funds in the previous fiscal year contract.
- Change Order No. 2 for \$125,000 was to increase the amount of funds in the previous fiscal year contract.
- Change Order No. 3 for \$300,000 was to increase the amount of funds in the previous fiscal year contract.
- Change Order No. 4 for \$75,000 was to increase the amount of funds in the previous fiscal year contract.
- Change Order No. 5 for \$230,000 is to increase the amount of funds in the previous fiscal year contract.

The \$210,000 for the original contract was approved in the FY2017/18 Power Plant operating budget for Electric Production.

The funding for Change Order No. 5 will come from three separate accounts in the Power Plant Operations budget:

- \$104,000 from the Water and Sanitary Sewer account – The cost for such utilities were much less than anticipated due to being able to use the plant well system much earlier than expected.
- \$65,000 from Power Plant Training – Scheduling conflicts and boiler break downs prevented the amount of training that was planned for the year.
- \$61,000 from #8 Steam Turbine and Generator Maintenance- Planned replacement parts and supplies have been delayed.

ALTERNATIVES:

1. Approve contract Change Order No. 5 with TEI Construction Services, Inc., Duncan, SC for the Boiler Maintenance Services Contract for Power Plant in the amount of \$230,000. This will bring the total FY 2017/18 contract value amount to \$1,290,000.
2. Do not approve the change order.

MANAGER'S RECOMMENDED ACTION:

This change order is necessary to increase the amount of funds in the 2017/18 fiscal year contract to cover the remaining work that was performed in order to keep the boiler operating.

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