

ITEM: 16  
DATE 08-22-23  
DEPT Electric

**COUNCIL ACTION FORM**

**SUBJECT: POWER PLANT BOILER MAINTENANCE SERVICES CONTRACT –  
CHANGE ORDER NO. 1**

**BACKGROUND:**

This contract consists of a variety of boiler and pressure vessel maintenance, including structural steel and pressure vessel repair, at the City’s Power Plant. This consists of emergency service, as well as regularly planned repairs and services during scheduled outages. The repair of the equipment in the Power Plant requires professional trade crafts such as boilermakers, laborers, and millwrights.

The Power Plant has traditionally bid boiler maintenance services and held a contract throughout each year in order to perform regularly planned repairs and services during scheduled outages as well as have a skilled and certified contractor ready to respond to any emergency situations.

There remains a large amount of area in both Unit 7 and Unit 8 boilers that contains boiler tubes original to the boiler installation in 1967 and 1982 respectively. During more recent testing, staff discovered tubes with thin walls because of erosion occurring from cleaning equipment or some deposit corrosion occurring on the inside of the tubes.

Near the end of FY 2022/23, staff started a program of performing proactive weld overlay in these areas to protect boiler tubes rather than reactively dealing with boiler tube failures. Boilermakers build up the walls of the tube using welding rod, thickening the tube wall. The intent was to close out FY 2022/23 performing as much overlay as possible with the remaining budget. **However, the planned overlay was not accomplished in Unit 7 due to a turbine issue on Unit 8. The Unit 8 issue required staff to operate Unit 7 rather than perform further maintenance on it. This resulted in \$170,000 of the funding under the FY 2022/23 Boiler Maintenance Contract remaining unspent.**

**On May 9, 2023, City Council approved a contract renewal with TEI Construction Services, Inc., Duncan, SC in the amount of \$345,000 for boiler maintenance in FY 2023/24. The contractor returned in July and proactive welding has continued in Unit #7 under the FY 2023/24 contract. In the first six weeks of this fiscal year, the contractor has already expended the \$345,000 budgeted for this boiler repair work, with an estimated \$150,000 still needed to complete the project.**

**THIS ACTION:**

**This request is for a change order to finish the pad welding needed on Units 7 and 8, plus additional authority for unforeseen repairs that may be necessary in the remainder of the fiscal year.** The City will be billed only for work performed on a time and materials basis.

Staff has determined that \$150,000 of additional funding should be sufficient to complete the necessary pad welding in Units 7 and 8. In addition, staff believes additional funds of \$170,000 should be authorized for smaller maintenance projects and unforeseen issues that may arise during the remainder of the fiscal year. Authorizing these funds in advance of unforeseen issues arising minimizes downtime and disruption to the Power Plant and Resource Recovery utilities, since staff can direct the contractor to immediately perform the work rather than waiting for Council approval for a change order when an outage occurs.

**Change Order #1 would add \$320,000 to the original \$345,000 contract for FY 2023/24 (inclusive of sales tax), bringing the total contract amount to \$665,000. Funding for Change Order No. 1 will come from a carryover of \$170,000 from work that was not able to be performed under the FY 2022/23 contract. The remaining \$150,000 will be financed from the Unit 7 and Unit 8 Boiler Maintenance accounts where there is \$150,000 to perform equipment repairs.**

**ALTERNATIVES:**

1. Approve Change Order No. 1 to TEI Construction Services, Inc., of Duncan, SC, in the amount of \$320,000.
2. Do not approve the change order and delay needed additional maintenance until the next fiscal year.

**CITY MANAGER'S RECOMMENDED ACTION:**

It is important to have a highly skilled company to perform maintenance services on the City's power plant boilers. These boilers operate at high temperatures and under high pressures. These additional funds are necessary to ensure the reliability of both Unit 7 and Unit 8 boiler. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 as stated above.