

ITEM #: 26  
DATE: 03-26-24  
DEPT: ELECTRIC

**COUNCIL ACTION FORM**

**SUBJECT: COMBUSTION TURBINE FUEL OIL PIPE INSTALLATION - CORRECTION  
AND PROJECT COMPLETION**

**BACKGROUND:**

On March 12, 2024, the City Council **accepted completion** of the Combustion Turbine Fuel Oil Pipe Installation Project by Modern Companies, Inc. of Cedar Rapids, Iowa, in the amount of \$472,756.43. This project involved the replacement of a section of fuel oil piping that connects the fuel oil storage tank to the pump house for the Electric utility's two combustion turbine units located at the Dayton Avenue Substation.

The original contract amount was \$391,700, inclusive of Iowa sales tax. Two change orders were approved for costs related to a leak that was discovered during the course of the project. Change Order No. 1 was approved in the amount of \$46,056.43, and Change Order No. 2 was approved in the amount of \$35,000. These change orders brought the contract amount to the total of \$472,756.43, which was approved by the City Council as the completed amount.

**Following the acceptance of the project by the City Council on March 12, staff realized that Modern Companies did not incur all the costs authorized by the two change orders, and thus did not invoice the City for those entire amounts.** Of the \$46,056.43 authorized by Change Order No. 1, Modern Companies only billed \$42,630.74. Of the \$35,000 authorized by Change Order #2, Modern Companies only billed \$24,723.32. Therefore, although a total of \$472,756.43 was authorized, the final contract total was actually \$459,054.06.

**To rectify this, staff is requesting that the City Council take three actions: 1) Move to reconsider the March 12 acceptance of completion of this project, 2) Approve balancing Change Order No. 3, in the deduct amount of (\$13,701.37), and 3) Accept completion of the project in the corrected amount of \$459,054.06.**

The March 12, 2024 CAF indicated that funding would be provided for this project from the following sources:

\$150,000 - FY 2020/21 Fuel Oil Piping Installation Capital Improvements Plan  
\$210,000 - Savings from FY 2022/23 Unit 7 Main Steam Line Insulation Replacement Project  
\$68,055 - Savings from FY 2021/22 Unit 8 Turbine/Generator Overhaul  
\$44,701.43 - FY 2023/24 Power Plant Operation and Maintenance budget  
\$472,756.43 - TOTAL

The decreased final cost of the project will result in the funding from the FY 2023/24 Power Plant Operation and Maintenance budget being decreased by \$13,701.37.

**ALTERNATIVES:**

1. Approve the following actions related to the Combustion Turbine Fuel Oil Pipe Installation Project:
  - a. Reconsider the March 12, 2024 action of the City Council to accept the project as completed by Modern Companies, Inc. of Cedar Rapids, Iowa, in the amount of \$472,756.43
  - b. Approving balancing Change Order No. 3 in the deduct amount of (\$13,701.37)
  - c. Accept the Combustion Turbine Fuel Oil Pipe Installation project as completed by Modern Companies Inc., of Cedar Rapids, Iowa, in the amount of \$459,054.06
  
2. Refer this item to staff for further information.

**CITY MANAGER'S RECOMMENDED ACTION:**

A review of the documentation following the March 12, 2024 acceptance of completion of this contract revealed a discrepancy between the total amount invoiced and the project amount accepted at completion. This was not an error on the part of the contractor; it should have been reconciled by staff prior to placing this item on the March 12 agenda. However, the retainage for the project has not yet been released, and approving the corrected amounts described above will ensure that the appropriate amount is paid to the contractor for this work. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as described above.