

**CITY OF AUSTIN - PURCHASING DEPT.
RECOMMENDATION FOR COUNCIL ACTION
VENDOR NAME: SMITH POWER PRODUCTS, INC**

AGENDA DATE: MAY 26, 2011

SUBJECT: Authorize award, negotiation, and execution of a purchase contract with **SMITH POWER PRODUCTS, INC.**, Houston, TX, for the purchase of an engine generator for the Hornsby Bend Biosolids Management Plant in an estimated amount not to exceed \$1,227,225, with the option for a 96-month service and maintenance contract for this generator in an estimated amount not to exceed \$1,563,200, for a total estimated contract amount not to exceed \$2,790,425.

AMOUNT AND SOURCE OF FUNDING: Funding in the amount of \$1,227,225 is available from the U.S. Department of Energy (DOE), as a result of the American Recovery and Reinvestment Act (ARRA) of 2009 for the grant period of December 28, 2009 to December 27, 2012. No match is required. Funding for the service and maintenance agreement is contingent upon available funding in future budgets of Austin Water Utility.

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

PURCHASING: Sole proposal received.

PRIOR COUNCIL ACTION: February 4, 2010 - Approved acceptance of \$7,492,700 grant from DOE amending the budget

BOARDS AND COMMISSION ACTION: To be reviewed by the Water and Wastewater Commission on May 11, 2011, the Electric Utility Commission on May 16, 2011 and the Resource Management Commission on May 17, 2011.

MBE/WBE: This contract will be awarded in compliance with Chapter 2-9D of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this contract.

FOR MORE INFORMATION: Shawn Harris, Supervising Sr. Buyer / 505-7351

This contract is for the commodity purchase of a single 850 kW generator from Smith Power Products, Inc. This new generator replaces two 400kW diesel generators that were converted to biogas and installed in the 1980s. The existing units were operated in a "dual fueled" mode, and are no longer functioning, serviceable, or repairable.

The new generator is a modern "biogas rated" unit and will generate green power by utilizing digester methane from the sludge treatment process. Electricity produced from the new generator is renewable because it does not burn fossil fuels as its energy source. The result will demonstrate distributed green power generation, reduce the facility's operating costs, and offset on-peak operation of the plant, thereby contributing to Austin Energy's effort to avoid building new power generation plants. This new generator will be capable of consistently generating more energy than the estimated 500kW to 700 kW the Hornsby Bend facility uses, thereby offsetting the plant's energy use and generating a credit to the water utility.

This action will result in the creation of one full-time and one part-time green jobs at Hornsby Bend, provide an estimated 4,432,492 kWh a year and reduce approximately 2,867 tons of carbon dioxide equivalents. These savings are equivalent to 5,033,527 vehicle miles traveled, removal of 628 cars from our roadways, the planting of 98,297 trees or 4,915 acres of forest in Austin's parks.

The contract will also provide a service and maintenance agreement for this equipment based on an hourly rate of \$21.77 per hour of operation, resulting in an average operating cost of approximately \$0.026 cents per kWh. These costs were included in the economic analysis performed prior to initiating the purchase.

This service and maintenance agreement establishes regularly scheduled preventative and corrective maintenance, and includes minor over hauls at 20,000 and 40,000 hours, and a major overhaul at the end of the 60,000 hour agreement. This agreement will ensure the operational condition of the equipment so it is not worn out and/or inoperable in seven to eight years.

This solicitation was advertised starting on March 14, 2011 for a period of 22 days and was originally scheduled with a bid opening date of April 5, 2011. The bid opening date was extended for an additional week, allowing it to advertise for a total of over four weeks. Numerous vendors were contacted during this time in an effort to secure more proposals without success. Many of the vendors contacted stated that this type of a generator was extremely specialized and not something they could provide. The project also includes many grant requirements which have to be passed down to the contractor, limiting potential proposers. While a resolicitation has been considered, the very specialized nature of the equipment and limited interest in the solicitation, as well as a funding commitment deadline from US DOE do not lend this to being a viable option.

A team composed of Austin Energy personnel and Austin Water Utility personnel evaluated the proposal. The criteria evaluated included system concept and solution proposed, proposed schedule for project completion, total evaluated cost for the complete generator and total evaluated cost for the proposed service contract.

MBE/WBE solicited: 5/6

MBE/WBE bid: 0/0

PROPOSAL ANALYSIS

- a. Sole proposal. Proposal closing date was extended without success in an effort to secure more proposals. Other potential vendors were contacted and stated they were unable or uninterested to propose due to the specialized nature of this generator.
- b. One hundred and ten notices were sent, including five MBEs and six WBEs. One proposal was received, with no response from the M/WBEs.

APPROVAL JUSTIFICATION

- a. Sole proposal received.
- b. The Purchasing Office concurs with Austin Energy's recommended award.
- c. Advertised on the Internet.