




MEMORANDUM

TO: Mayor and City Council Members

CC: Marc A. Ott, City Manager

FROM: Larry Weis, General Manager, Austin Energy 

DATE: February 14, 2013

SUBJECT: Critical Business Need for Sand Hill Energy Center Gas Compressor Repairs

ACTION:

As detailed below, and in accordance with City Council-approved purchasing procedures, I am designating as a Critical Business Need of Austin Energy, the repair of Sand Hill Energy Center Gas Compressors. One of two gas compressors has a leak in the lube oil heat exchanger rendering it inoperable. The second gas compressor, though still operational, has the same issue which could result in its imminent failure. A gas compressor is required to achieve full capacity from the simple cycle units. Failure of the second gas compressor would result in a loss of 3 to 7 Megawatts per unit depriving Austin Energy of approximately 18 to 42 Megawatts of efficient and low emissions gas-fired generation. Due to the time required to obtain material and manufacture new heat exchangers it is imperative that Austin Energy act immediately to ensure the reliable operation of the Sand Hill peaking units during summer peak.

BACKGROUND:

On November 27, 2012, the lube oil heat exchanger for Gas Compressor A was shipped to the original equipment manufacturer or OEM for evaluation and repair. This heat exchanger is under an extended warranty obtained during equipment commissioning in 2010, however, on January 23, 2013, the OEM informed us the failure was due to a condition not covered under the warranty. They subsequently provided Austin Energy a price of \$221,900 to repair both heat exchangers. Due to the critical nature of the process to compress natural gas, the OEM is the best qualified company to make this repair.

Please let us know if you have any questions. I can be reached at 322-6002.