

A G E N D A



Recommendation for Council Action (Purchasing)

Austin City Council		Item ID:	27663	Agenda Number	41.
Meeting Date:		October 24, 2013			
Department:		Purchasing			
Subject					
Authorize award and execution of Amendment No. 1 to a requirements service contract with GE POWER & WATER, TRANSCANADA TURBINES, and WOOD GROUP PRATT & WHITNEY, for maintenance and repair services for gas turbines at Austin Energy power plants, to increase the contract amount for the current contract period in an amount not to exceed \$6,000,000 each and combined, and the first 24-month extension option in an amount not to exceed \$4,000,000 each and combined, for a revised total contract amount not to exceed \$26,000,000 each and combined.					
Amount and Source of Funding					
Funding in the amount of \$6,000,000 is available in the Fiscal Year 2013-2014 Operating Budget of Austin Energy. Funding for the remaining eight months of the current contract period and extension option is contingent upon available funding in future budgets.					
Fiscal Note					
There is no unanticipated fiscal impact. A fiscal note is not required.					
Purchasing Language:	Contract Amendment.				
Prior Council Action:	December 8, 2011 - Approved original contract				
For More Information:	Gage Loots, Supervising Senior Buyer, 512-322-6251				
Boards and Commission Action:	October 21, 2013 - To be reviewed by the Electric Utility Commission.				
Related Items:					
MBE / WBE:	This contract was awarded in compliance with City Code Chapter 2-9C (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this contract.				

Additional Backup Information

On December 8, 2011, Council approved the award of a contract with GE Water & Power, Houston, TX; TransCanada Turbines, Houston, TX; and Wood Group Pratt & Whitney, Bloomfield, CT, to provide specialized maintenance services including inspections, repairs, modifications, upgrades and testing of the four aero-derivative gas turbines at Austin Energy's Decker Creek Power Station (Pratt & Whitney FT4C-1's) and the six turbines at Sand Hill Energy Center (GE LM6000's). These services include both planned preventative and emergency maintenance, enabling the utility to be more proactive on planned maintenance, which is expected to increase reliability of the units.

This proposed Amendment No. 1 will increase funding for these services in an amount not to exceed \$10,000,000 for the remaining approximately four years of the contract. The proposed amendment will add \$6,000,000 in spending authority to the current contract period and \$4,000,000 in spending authority to the first 24-month extension option. The additional spending authority is needed to ensure quick response for unanticipated repairs, similar to what has been performed under the contract to date, and to provide authority to implement a planned maintenance schedule, including:

- Planned overhauls on Sand Hill Energy Center's Units 1-4: Operating gas turbines and peaking units in the ERCOT market involve significant cycling service (starts and stops). After 12 years of this practice, the units have experienced increased wear and tear on engine components. Austin Energy adjusted the maintenance strategy accordingly and will use the number of starts and operating hours to drive the maintenance schedule, not only operating hours. Overhauls will be scheduled for one engine a year for the next four years.
- Planned inspections and repairs on Sand Hill Energy Center's Units 6 and 7. As these units accumulate additional hours and starts over the next four years, they will require hot section and compressor maintenance.
- Repair of the free turbine on GT-1B. During the summer of 2013, GT-1B experienced a failure of the inlet duct that resulted from vibration due to internal retaining bolt weld failures. Engineering analysis has identified a two-part preventative repair.
- Planned inspections and preventative maintenance on the seven free turbines for the remainder of the Decker fleet. The technical report and engineering analysis of the GT-1B failure has identified a two-part preventative maintenance solution to prevent this from reoccurring on the other free turbines.

While the scheduled work will help manage reliability over time, until the maintenance cycle is complete, additional corrective maintenance is anticipated in order for the units to remain reliable and available. The additional spending authority will allow for future planned inspections, routine maintenance, and overhauls, and serve as a contingency to cover corrective repairs as needed.

The additional authority represents approximately a 62.5% increase to the original contract amount. In accordance with Senate Bill 7, as adopted by the City Council as Resolution No. 040610-02, Austin Energy contracts may be increased in excess of the 25% limit required by Chapter 252 of the Texas Local Government Code.

Contract Summary

Action	Description	Amount
Original Contract approved 12/08/2011	Original 24-month contract	\$8,000,000
Amendment No. 1	Proposed increase to the current contract period of \$6,000,000 and first 24-month option (when exercised) of \$4,000,000.	\$6,000,000

Future Amendments	First 24-month extension option	\$8,000,000
	Second 24-month extension option	\$4,000,000
Total Revised Contract Amount		\$26,000,000