



Meeting Date: June 6, 2016

Consent Docket Item: 2-c

Report No.: SUA-16-25

Department: Electric Utility

Subject: Expenditure Limit Increase: Wartsila North America – SUA Bid #02-14/15

Budget Impact: The approximately \$70 million estimated cost of the project includes \$32,950,000 for the purchase of the engine/generation units. The bid award was approximately \$1 million less than the estimated cost. Staff is recommending that a contingency expenditure limit of \$400,000 be established to cover the cost of future change orders. The contingency expenditure limit represents slightly more than one percent of the contract amount.

Prior Council Action or Part of an Approved Project: Yes

Related Items: [Wartsila Approval Report – 8-18-14](#)

[Wartsila Contingency Request – 2-16-15](#)

Alternatives:

1. Approve expenditure limit increase.
2. Do not approve the expenditure limit increase and direct staff to prepare a separate procurement package, solicit bids/quotes, and purchase the additional items from another vendor. This alternative would require additional expense to the project for bidding services, as well as cause schedule delays. Wartsila is currently under contract with approved terms and conditions.

Recommendation: It is recommended that the Trustees authorize additional expenditures up to \$400,000 for potential future change orders to the Wartsila North America contract.

Prepared by: Loren Smith, Electric Director

Background Information: On August 18, 2014, the Trustees authorized staff to enter into a purchase agreement with Wartsila North America for 3 – 18.76 MW generator units at a cost of \$31,881,515. The engines have been put in place and commissioning of the auxiliary systems and engines has begun. On

February 16, 2015 the Trustees authorized a contingency limit of \$200,000 to cover the cost of future change orders.

Discussion: During the installation and commissioning process, several issues have arisen that have required changes to be made in the field. These changes include catalyst loading into the selective catalyst reduction units, acceleration costs to maintain schedule, and electrical installation construction. Staff is requesting the contingency limit be increased to account for the anticipated change orders to complete the project.