



**Meeting Date:** January 22, 2018

**Report No.** SUA-18-06

**Agenda Item No.** 2d

**Purpose:** Wartsila Services – Sole Source Purchase Request

**Budget Impact:** No budget impact for this action.

**Prior Council Action or Part of an Approved Project:** Yes

**Related Items:** [Wartsila Spare Parts FY18 Sole Source Purchase Approval](#)

**Alternatives:** Do not approve sole source purchase of services from Wartsila. This option would increase the risk and likelihood of extended outages and downtime having a negative effect on the capacity payment provided by GRDA.

**Recommendation:** Staff recommends that the Trustees approve the sole source purchase for Wartsila services up to \$100,000 and authorize expenditure for this purchase from the Generation and Transmission FY18 operating budget subject to resolution of all outstanding legal issues and execution of a services agreement.

**Prepared by:** Loren Smith, Electric Utility Director

**Reviewed by:** Dan Blankenship, Deputy City Manager

**Submitted by:** Norman McNickle, City Manager

**Background Information:** The Stillwater Energy Center (SEC) uses three Wartsila 18V50SG engine/generators to produce electricity. The engine primary components, control system, and many of the auxiliary components are manufactured by Wartsila. The services requested for this purchase can only be performed by Wartsila making this a sole source purchase.

The Grand River Dam Authority capacity purchase agreement includes provisions for a capacity payment based on availability of the engine/generators. If the engines/generators are not available, the capacity payment decreases which can potentially have a negative revenue impact on the SUA. With the expiration of the manufacturer's warranty, it is important to be prepared to respond to emergency situations that require the purchase of these services from Wartsila to ensure the units remain operational without unnecessary delay. This approval will allow staff to purchase services from Wartsila without delays. Staff is requesting sole source approval to purchase services up to \$100,000 in FY18.

On June 5, 2017 the Trustee's authorized the sole source purchase of Wartsila spare parts up to \$200,000 and authorized expenditures from the Generation and Transmission FY18 operating budget. The culmination of both of these expenditure limits will ensure timely response for parts and service minimizing operational delays.