

Agenda Report

June 6, 2016

TO: Honorable Mayor and City Council

FROM: Water & Power Department

SUBJECT: AUTHORIZE INCREASE TO THE PURCHASE ORDER WITH FLOWSERVE CORPORATION FOR THE REPAIR OF THE BROADWAY UNIT 3 STEAM DRIVE BOILER FEED PUMP FOR A TOTAL AMOUNT NOT TO EXCEED \$182,614.10 ISSUED UNDER EMERGENCY PURCHASE PROVISIONS.

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the project is exempt from the California Environmental Quality Act ("CEQA") pursuant to State CEQA Guidelines Section 15301, Class 1, Existing Facilities;
2. Authorize the Interim City Manager to increase the amount of purchase order 59110/Munis Req 2164574 with Flowserve Corporation ("Flowserve") originally issued under the emergency purchase provisions of the Pasadena Municipal Code Section 4.08.150 by an amount of \$5,041.33 for a total of \$182,614.10 for the repairs of the Broadway Unit 3 Boiler feed water pump; and
3. Find that competitive bidding is not required pursuant to City Charter Section 1002(G) contracts for labor, material, or supplies for actual emergency work. It is further recommended that the City Council grant this contract an exemption from the Competitive Selection process of the competitive Bidding and Purchasing Ordinance, pursuant to Section 4.08.049(B), contracts for which the City's best interests are served.

BACKGROUND:

On June 26, 2015, the City Manager authorized the issuance of an emergency purchase order 59110 in an amount of \$177,572.77 to Flowserve Corporation to expeditiously repair the Broadway-3 ("B-3") electric generating unit's boiler feed water pump ("BFP") so that B-3 could be placed back in service as soon as possible. The feed water pump is essential to the operation of B-3; therefore, the emergency purchase was issued order pursuant to the emergency purchase provisions of the Pasadena Municipal Code Section 4.08.150. Subsequently, the Pasadena City Council acknowledged and approved Purchase Order 59110 on July 20, 2015 for an amount of \$177,572.77.

Authorize Increase for Purchase Order with Flowserve

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B-3, a 65MW steam generating electrical unit, is a vital component of the City's local electric generation portfolio and provides necessary reliability for Pasadena's electric system. This generating unit also provides necessary back up capacity required by the California Independent System Operator ("CAISO"). At over 45 years of age, B-3 has served beyond its useful life and is planned to be decommissioned this year after the new power generating unit GT-5 is commissioned.

B-3 was originally equipped with two BFPs, one primary and one backup, and needs at least one to be operational. In 2014, the primary BFP failed and could not feasibly be repaired due to a six-to-nine month lead time and expected repair costs in excess of \$1 million. Subsequently, the backup BFP developed problems several times and caused unplanned outages for B-3. Due to the approaching summer season when B-3 is required, it was decided to send out the BFP for disassembly, inspection and repairs.

In order to accelerate B-3's return to service, support the City of Pasadena's ("Pasadena") electric system reliability during the then upcoming summer months, minimize costs for replacement energy and capacity, and avoid potential fees or fines from CAISO, Flowserve was awarded Purchase Order Number 59110 on May 13, 2015 in the amount of \$24,000 to remove, disassemble, clean, and inspect the pump in order to provide a complete and thorough repair estimate. The pump was originally manufactured by Byron Jackson which is presently a heritage brand of Flowserve Corporation. As a successor to the original equipment manufacturer, Flowserve Corporation is singularly qualified to repair this pump to the original specifications.

The alternative to issuing an emergency purchase order to Flowserve, would have required specifications and a bid process which would have resulted in a minimum two-month delay in the return to service of B-3. This would have delayed B-3's return to service until the fall, potentially compromising the City's electrical system throughout the peak summer demand period in addition to subjecting the City to increased energy procurement costs, and charges and potential fines from the CAISO.

Flowserve removed the pump on May 26, 2015 and provided findings and repair options to PWP staff the following month. PWP staff clarified the proposal and negotiated the repair costs resulting in a revised proposal that was received in June 2015. Staff subsequently selected a repair option for \$149,223.44 due to the relatively short remaining lifespan of B-3 coupled with the urgent need to return B-3 to operation as soon as possible. This amount was in addition to the incurred pump removal service charges in the amount of \$14,853.00. With a five percent contingency of \$8,455.00 and estimated tax of \$5,041.33, Purchase Order Number 59110 was increased by \$153,572.77 to a total of \$177,572.77 which the City Council approved on July 20, 2015. However, in calculating the necessary increase to the previous change order, the \$8,500 cost to disassemble, clean and inspect the pump was erroneously omitted from the total.

During the reinstallation of the pump by Flowserve it was discovered that the axial movement on the steam turbine was beyond the serviceable limits. The thrust bearing

on the steam turbine was found to be worn beyond repair. The installation was halted and a new bearing was ordered. Upon receipt of the new bearing the turbine was repaired. Staff requested that a representative from Flowserve verify alignment and witness the start-up in order to preserve the one year warranty on the repair. Flowserve agreed to send a technical representative to the site for \$4,997.16, the amount believed to reflect the balance of the authorized PO. Upon receiving the invoices from Flowserve, staff realized that the purchase order was short by \$5,041.33 after adjusting for contingency and the cost to disassemble, clean and inspect.

Staff is therefore requesting the City Council authorize a \$5,041.33 increase to purchase order number 59110 or the successor purchase order currently routing for approval as Munis Requisition: 2164574 with Flowserve for a total amount of \$182,614.10.

COUNCIL POLICY CONSIDERATION:

The proposed contract supports the City Council Strategic Planning Goal to improve, maintain, and enhance public facilities and infrastructure. It also supports the Public Facilities Element of the General Plan by maintaining public facilities to enhance the quality of life of the community.

ENVIRONMENTAL ANALYSIS:

The nature of the work performed by Flowserve Corporation qualifies for a categorical exemption in accordance with Title 14, Chapter 3, Article 19, Section 15301(Existing Facilities). Section 15301 allows for the categorical exemption from CEQA for repair work on existing publically owned facilities used to provide electric power that will not result in an increase in capacity or an expansion of existing use. The repair of the B-3 boiler feed pump adheres to these guidelines.

FISCAL IMPACT:

The cost of this action will be \$5,041.73. Funding for this action will be addressed by the utilization of existing budgeted appropriations in the Power Fund 411, CIP 3148 B-3 Renewals and Replacements. It is anticipated that the entire purchase order cost of \$182,614.10 will be spent during the Fiscal Year 2016.

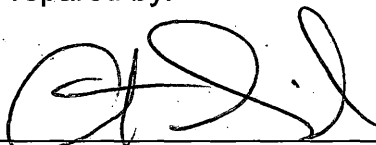
There will be no impact from this action on other projects.

Respectfully submitted,



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