

A G E N D A



Recommendation for Committee Action (Purchasing)

Austin Energy Utility Oversight Committee	Item ID:	44936	Agenda Number	4.
Meeting Date:	May 28, 2015			
Department:	Purchasing			
Subject				
Consider and develop recommendations on the award and execution of Amendment No. 2 to a service contract with GE PACKAGED POWER INC., TRANSCANADA TURBINES INC., and WOOD GROUP PRATT & WHITNEY, for maintenance and repair services for gas turbines at Decker Creek Power Station and Sand Hill Energy Center, and for the purchase of a standby LM6000 gas turbine for the Sand Hill Energy Center, increasing the contract amount for the current contract period in an amount not to exceed \$14,000,000, for a revised total contract amount not to exceed \$40,000,000.				
Amount and Source of Funding				
Funding in the amount of \$6,000,000 is available in the fiscal year 2014-2015 Operating Budget of Austin Energy and \$8,000,000 is available in the fiscal year 2014-2015 Capital Budget of Austin Energy.				
Fiscal Note				
A fiscal note is attached.				
Purchasing Language:	Contract Amendment with the current provider of maintenance and repair services of gas turbines. Current contract expires October 27, 2015.			
Prior Council Action:	December 8, 2011 - Approved original contract, item # 37. October 24, 2013 – Approved Amendment 1, item # 41.			
For More Information:	Gage Loots, Supervising Senior Buyer, 512-322-6251			
Boards and Commission Action:	April 20, 2015 - Approved by the Electric Utility Commission on a vote of 6-0.			
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 solicitation.

Additional Backup Information

Austin Energy requests additional funds in to satisfy maintenance requirements for gas turbines at its power plants over the next three years. The services provided pursuant to this contract include both planned preventative and emergency maintenance. Enabling the utility to be proactive on planned maintenance, which will increase the reliability of power generation units at the Decker Creek Power Station and Sand Hill Energy Center. Austin Energy's gas turbine fleet has the highest financial margin of any of its generation resources and are the most frequently cycled units, enabling the utility to respond quickly to the ERCOT market. Maintaining high engine start reliability is the key to managing price volatility for Austin Energy customers.

In addition to ensuring the reliable operation of Austin Energy's gas turbines, the additional funding is needed to purchase a standby LM6000 engine at Sand Hill Energy Center which, if necessary, can be quickly installed under this contract to reduce long term maintenance costs and increase revenue by avoiding down time due to unplanned events. The standby LM6000 engine is expected to cost approximately \$8,000,000 and could potentially save Austin Energy over \$12,000,000 in repair costs and lost revenue over six years. The business case for the spare engine yields a rate of return of 38% over the engine's life. Austin Energy also anticipates performing scheduled overhauls on two of the original four LM6000's at an estimated cost of \$5,000,000, in addition to other maintenance both planned and unplanned.

The original contract was approved by City Council in December 2011. It included maintenance services—inspections, repairs, modifications, upgrades and testing—for the eight gas turbines (Pratt & Whitney FT4C-1's) at the Decker Creek Power Station and the six turbines (GE LM6000's) at the Sand Hill Energy Center. In October 2013, Council approved Amendment No. 1 to increase the contract spending authority for these services. The additional funding was necessary to respond quickly to unanticipated repairs, similar to what has been performed under the contract to date, and to provide authority to implement a proactive, planned maintenance schedule.

In summary, Austin Energy requests a \$14,000,000 increase in contract spending authority over the next three years to meet gas turbine maintenance requirements and to purchase a standby LM6000 engine which will reduce long term maintenance costs, increase revenue generated by these units and manage price volatility for its customers. To ensure adequate funding is in place during summer peak demand and that fall planned maintenance can proceed on schedule, Austin Energy also requests that City Council consider this contract amendment in May 2015.

The additional authority represents approximately a 53.8% increase over the original (2011) 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 December 8, 2011	Council approved original 24-month contract with two 24-month extension options	\$16,000,000
Amendment No. 1 October 24, 2013	Approved an increase in contract spending authority to the current contract period in an amount not to exceed \$10,000,000.	\$10,000,000

Proposed Amendment No. 2	Proposed increase in contract spending authority to the current contract period in an amount not to exceed \$14,000,000.	\$14,000,000
Revised Total Estimated Contract Amount		\$40,000,000