

AGENDA ITEM NO.: 28 AGENDA DATE: Thu 07/28/2005

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<u>SUBJECT</u>: Authorize ratification of Amendment No. 1 to a contract with FLOWSERVE CORP, Phillipsburg, NJ for pump repair in an amount not to exceed \$100,800, and authorize the execution of Amendment No. 2 in an amount not to exceed \$65,000, for a revised contract amount not to exceed \$560,729.

99AMOUNT & SOURCE OF FUNDING: Funding in the amount of \$165,800 is available in the Fiscal Year 2004-2005 Amended Operating Budget of Austin Energy

FISCAL NOTE: There is no unanticipated fiscal impact. A fiscal note is not required.

REOUESTING Purchasing

DIRECTOR'S

DEPARTMENT: for Austin Energy;

AUTHORIZATION: Vickie Schubert

FOR MORE INFORMATION CONTACT: Carole Martindale, Purchasing Manager/322-6155

PRIOR COUNCIL ACTION: Contract approval 7/19/01

BOARD AND COMMISSION ACTION: N/A

PURCHASING: N/A

MBE / WBE: This contract was awarded in compliance with Chapter 2-9 of the City Code (Minority-Owned and Women-Owned Business Enterprise Procurement Program). No subcontracting opportunities were identified; therefore, no goals were established for this solicitation.

On July 19, 2001, City Council approved the purchase of two boiler feed pumps and one spare pump for the Sand Hill Energy Center in the amount of \$349,929. These pumps are used to supply high pressure water to the heat recovery steam generator that provides steam for the steam turbine generator. Two pumps are installed and used on an ongoing basis.

Soon after initial operation, the pumps operated with very high vibration levels. During troubleshooting, the spare pump was installed and experienced similar vibration problems. Because Austin Energy believed the problem resided within the pumps and was therefore covered by the manufacture's warranty, the first two pumps were repaired and returned to Austin.

One of the two repaired pumps has been installed and is working properly. The second repaired pump will be installed in October 2005, after the summer peak season has ended. At that time the third pump, currently installed (and still experiencing high vibration) will be sent for repairs.

The repair work has shown that there were problems that were covered by the warranty, and other problems that were not covered by the warranty. An agreement has been reached to share the costs of the pump repairs equally between Flowserve and Austin Energy. Austin Energy has agreed to pay Flowserve \$100,800 for the repair work already completed on the first two pumps. Upon receipt of a purchase order from Austin Energy, Flowserve will repair the third pump at a cost of \$65,000.

RCA Serial#: 9263 Date: 07/28/05 Original: Yes Published: Fri 07/22/2005

Disposition:

Adjusted version published:



MEMORANDUM

TO:

Mayor and Council Members

Toby Hammett Futrell, City Manager

FROM:

Juan Garza, General Manager

Austin Energy

DATE:

June 22, 2005

SUBJECT: Ratification of Amendment to the Flowserve Contract

BACKGROUND:

On July 19, 2001, City Council approved the purchase of two boiler feed pumps and one spare pump for the Sand Hill Energy Center. These pumps are used on an ongoing basis to supply high-pressure water to the heat recovery steam generator that provides steam for the steam turbine generator. Two pumps were installed in 2004.

The installed pumps operated with very high vibration levels, indicating that there were mechanical problems with either the pumps, the piping attached to the pumps, or the pump foundation. Flowserve believed the problems were only in the piping and foundation, which were not a part of their scope of work. Austin Energy believed the problems resided within the pumps. During troubleshooting, the spare pump was installed and experienced similar vibration problems.

Because Austin Energy believed the problem to be warranty work, the first two pumps were sent to Flowserve for repairs and returned to Austin Energy. One of the two repaired pumps has been installed and is working properly. The second repaired pump will be installed in October 2005 after the summer peak season has ended. At that time the third pump, currently installed (and experiencing high vibration) will be sent for repairs.

The repair work has shown that there were problems that were covered by the warranty, and other problems that were not covered by warranty. An agreement has been reached to share the costs of the repair of the first two pumps, totaling \$212,000, between Flowserve and Austin Energy. Austin Energy has agreed to pay Flowserve \$100,800 for the repair work on the first two pumps, and to pay \$65,000 for repairs on the third pump.

ACTION:

As detailed above, and in accordance with City Council-approved purchasing procedures, I am requesting approval of a Ratification Amendment to a contract with Flowserve Corp., Phillipsburg, NJ for pump repair in an amount not to exceed \$165,800 so that Austin Energy can pay for the repair work that is not covered by the warranty. We plan to bring an RCA to Council regarding this issue on July 28, 2005.

Please let me knew if you have any questions. I can be reached at 322-6002.

Juan Garza

General Manager Austin Energy

cc: Diana Granger, Purchasing Officer
Carole Martindale, Purchasing Manager