

COMMISSION FILE NO: 19-022-2 **DATE INTRODUCED:** February 11, 2019

INTRODUCED BY: Executive Director (Signature on File in the Office of the Commission)

REFERRED BY COMMISSION CHAIRPERSON TO: Operations Committee

RELATING TO: Change Order Two to Contract J06056C01, Turbine Extended Services Agreement

SUMMARY:

The Commission is requested to authorize the Executive Director to execute Change Order Two to Contract J06056C01, Turbine Extended Services Agreement, with Solar Turbines, Inc., (Solar) to extend the contract term by 11 months through September 30, 2024, in an amount not to exceed \$1,924,844.

The District constructed a system to deliver landfill gas (LFG) to the Jones Island Water Reclamation Facility (JIWRF) and combust the LFG in turbines to produce electricity for JIWRF operations and to recover heat to be used for drying sludge. LFG is combusted in three turbines that can utilize LFG, natural gas, or a blend of the two gases. These turbines are manufactured by Solar and are highly engineered machines.

Because of the nature of the turbines, the District elected to enter into an extended services agreement (ESA) with Solar in 2012. The ESA includes: 1) routine maintenance, washing, and detailed inspection services; 2) remote monitoring of engine operating parameters and diagnostic evaluation; 3) repairs and parts replacement; 4) unlimited unscheduled visits; 5) unlimited technical support; and 6) complete engine and gear box exchanges as needed (approximately every three to six years). The ESA went into effect on October 23, 2013, and has a term of 120 months (10 years), which will end on October 23, 2023.

ESA pricing included an initial monthly payment of \$130,011 plus an annual bond payment of \$23,887 (\$1,620,019 annually). The monthly payment is subject to an annual cost escalation, set forth in the ESA.

ATTACHMENTS: **BACKGROUND** ☐ **KEY ISSUES** ☐ **RESOLUTION** ☒
FISCAL NOTE ☒ **S/W/MBE** ☐ **OTHER** ☐ _____

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COMMITTEE ACTION: _____ **DATE:** _____

COMMISSION ACTION: _____ **DATE:** _____

SUMMARY (Cont'd)

Change Order Two to Contract J06056C01, Turbine Extended Services Agreement

Change Order 1 consisted solely of technical clarifications and did not involve any change in costs or schedule.

The District has evaluated the maintenance of the turbines relative to the remaining term of the ESA and has projected that the three turbines will need engine exchanges in late 2023 and early 2024. To ensure that the turbines receive the engine exchanges under the ESA, District staff requested options from Solar staff to extend the ESA. Solar offered two options: 1) Extend the term of the ESA through September 30, 2024 (additional 11 months); or 2) Extend the term of the ESA through October 23, 2028 (additional five years).

The District has evaluated the two options, in addition to the option of keeping the existing term of the ESA, and has determined that the option to extend the ESA through September 30, 2024, significantly reduces the likelihood that the engine exchanges will fall outside the term of the ESA. Because cost escalations in the first five years of the ESA have been less than projected, the additional 11 months will not cause the total contract cost to go above that which was originally projected. Therefore, staff recommends extending the term of the ESA through September 30, 2024, at the present time. In 2023 and 2024, District staff will again evaluate all of the options available to determine the recommended plan for maintaining and exchanging the turbines.

RESOLUTION

Change Order Two to Contract J06056C01, Turbine Extended Services Agreement

RESOLVED, by the Milwaukee Metropolitan Sewerage Commission, that the Executive Director is authorized to execute Change Order Two to Contract J06056C01, Turbine Extended Services Agreement, with Solar Turbines, Inc., to extend the contract term 11 months through September 30, 2024, in an amount not to exceed \$1,924,844.