



Date: December 17, 2015

To: THE TRUSTEES

From: THE PRESIDENT and CHIEF EXECUTIVE OFFICER

Subject: **Crescent and Vischer Ferry Plants – Units 3 and 4
Overhaul and Accessories Replacement –
Contract Extension and Additional Funding Request**

SUMMARY

The Trustees are requested to approve an extension to the contract with Voith Hydro (“Voith”) for the Crescent and Vischer Ferry Small Hydroelectric Power Plants’ Unit 3 and Unit 4 Overhaul and Accessories Replacement Project for an additional term of approximately six months, ending no later than December 31, 2016, and additional funding of \$3,611,524.96 for more extensive repair to the units than anticipated.

BACKGROUND

The Authority’s EAPs require the Trustees’ approval when the cumulative change order value of a construction contract exceeds the greater of \$1 million or 25% of the originally contract amount not to exceed \$3 million. The EAPs also require the Trustees’ approval when any and all cumulative change orders exceed \$3 million.

The subject contract was competitively bid and approved by the Trustees at their December 18, 2012 meeting in the amount of \$7.2 million to perform overhaul and accessories replacement for Unit 3 and Unit 4 at the Crescent and Vischer Ferry Power Plants. The initial contract term was issued from January 1, 2013 to July 1, 2015. Thorough inspections performed after disassembly of the first two units revealed that conditions of most of the turbine components were worse than expected. This is a result of deferred major overhauls of the units since they were built and first commissioned in 1990. A one-year extension was subsequently authorized in accordance with the Authority’s Guideline for Procurement Contracts and EAPs.

DISCUSSION

Two units were overhauled and returned to commercial operation in 2015. The remaining two units were disassembled and their components are currently at Voith’s shop for repair. A total of six Change Orders were issued to perform more extensive repairs than anticipated. The total cumulative Change Order amount to date is \$2,821,830.96, which includes \$1,021,830.96 in excess of 25% of the original approved contract amount authorized by the Chief Operating Officer to meet construction schedule requirements. In addition, funding of \$2.6 million and a contract extension of six months are necessary to complete the needed repair for the remaining two units. Therefore, the Trustees’ approval for total additional funding of \$3,611,524.96 is now requested.

The revised contract amount will be \$12,611,524.96.

FISCAL INFORMATION

This revised contract amount will not exceed the total Capital Expenditure Authorization Request ("CEAR") approved in December 18, 2012.

Payments associated with this project will be made from the Authority's Capital budget.

RECOMMENDATION

The Senior Vice President and Chief Engineer – Operations Support Services, the Vice President – Project Management, and the Vice President – Procurement request that the Trustees approve a contract extension of six months for the Crescent and Vischer Ferry Small Hydroelectric Power Plants' Unit 3 and Unit 4 Overhaul and Accessories Replacement Project and additional funding of \$3,611,524.96 to perform more extensive repairs of the remaining units.

For the reasons stated, I recommend the approval of the above-requested action by adoption of the resolution below.

Gil C. Quiniones
President and Chief Executive Officer

RESOLUTION

RESOLVED, That pursuant to the Guidelines for Procurement Contracts adopted by the Authority, approval is hereby granted to approve a six-month contract extension for the Crescent and Vischer Ferry Small Hydroelectric Power Plants' Unit 3 and Unit 4 Overhaul and Accessories Replacement Project and additional funding request of \$3,611,524.96 for extra repair to the remaining units.

<u>CONTRACTOR</u>	<u>ADDITIONAL FUNDING APPROVAL</u>	<u>REVISED CONTRACT AMOUNT</u>
Voith Hydro, Inc. Contract No. 4600002651	<u>\$3,611,524.96</u>	<u>\$12,611,542.96</u>

RESOLVED, That the Chairman, the President and Chief Executive Officer, the Chief Operating Officer and all other officers of the Authority are, and each of them hereby is, authorized on behalf of the Authority to do any and all things, take any and all actions and execute and deliver any and all agreements, certificates and other documents to effectuate the foregoing resolution, subject to the approval of the form thereof by the Executive Vice President and General Counsel.