



**Council Meeting: July 17, 2012**

**SUBJECT: Approval to Increase Contract Contingency in Conjunction with the Caterpillar Engines Overhaul (F1106-71)**

**BACKGROUND**

Approval is requested to increase a contract contingency with Peterson Power Systems of San Leandro by \$35,851 in conjunction with the overhaul of the Power Generation Facility Caterpillar Engines #1 and #2, at the Sunnyvale Water Pollution Control Plant (WPCP).

**DISCUSSION**

Council awarded a contract to Peterson Power Systems on April 24, 2012 in the amount of \$289,926, with a contingency of \$28,993, to perform a major overhaul of these engines (RTC No. 12-101). The contract award required a Budget Modification in order to move a portion of budgeted replacement funds from FY 2012/13 to FY 2011/12 so that the work could proceed as soon as possible.

During the overhaul of Engine #1, it was discovered that the level of degradation and wear on parts and ancillary equipment was much greater than anticipated, requiring more than the initial quoted contract amount. Similar deterioration is expected on Engine #2. The balance of the initial contract amount and original Council-approved contingency will be insufficient to cover the remaining work.

In addition to the wear and tear on the engines, a portion of the rehabilitation work to the front and rear structure of Engine #2 was inadvertently left out of the scope of the original contract and needs to be completed as part of the overhaul. The requested contingency of \$35,851 should be sufficient to cover the additional work scope and the expected equipment wear.

The level of degradation is likely due to the corrosive quality of the landfill and digester gas used in these engines. The WPCP utilizes digester and landfill gases because they are free by-products of waste processing and are instrumental in saving nearly two-thirds of the ongoing energy expenses at the Plant (the remaining one-third energy expense is the purchase of natural gas).

**FISCAL IMPACT**

The total estimated cost to the City is \$354,770. This consists of the original contract amount of \$289,926, plus \$64,844 for contingencies. Budgeted funds

are available in the Wastewater Equipment Replacement Account (020201), with approximately \$165,000 remaining for additional replacement items in FY 2012/13. This funding will be sufficient to address the highest priority equipment, which in this case is replacement of the dual media filters, part of the tertiary treatment process. Other components that require replacement are less critical and can be deferred to the following year for replacement. As staff reviews and makes adjustments to equipment replacement schedules annually, the deferral of replacement will be accounted for so that there is no impact on wastewater rates.

**PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall, at the Sunnyvale Senior Center, Community Center and Department of Public Safety; and by making the agenda and report available at the Sunnyvale Public Library, the Office of the City Clerk and on the City's Web site.

**RECOMMENDATION**

It is recommended that Council increase the contingency awarded on this project from \$28,993 to \$64,844 an increase of \$35,851.

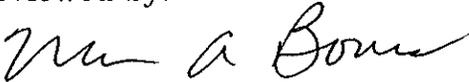
Reviewed by:



Grace K. Leung, Director of Finance

Prepared by: Pete Gonda, Purchasing Officer

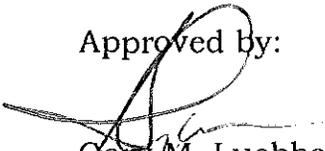
Reviewed by:

  
for

John Stufflebean, Director

Environmental Services Department

Approved by:



Gary M. Luebbers

City Manager

**Attachments**

A. Draft Change Order





**BUYER:**

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