

RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: OCTOBER 25, 2021

SUBJECT: AGREEMENT FROM REQUEST FOR PROPOSAL 2040 WITH ATLAS COPCO FOR THE REPLACEMENT OF AIR COMPRESSOR EQUIPMENT AND A FIVE-YEAR EXTENDED WARRANTY PROGRAM FOR THE CLEARWATER POWER PLANT, IN THE AMOUNT OF \$154,628

ISSUES:

Consider approval of an Agreement from RFP 2040 with Atlas Copco of Rock Hill, South Carolina, for the replacement of Air Compressor equipment and a five-year extended warranty program for the Clearwater Power Plant, in the amount of \$154,628.

RECOMMENDATIONS:

That the Board of Public Utilities:

1. Approve an Agreement with Atlas Copco of Rock Hill, South Carolina, for the replacement of Air Compressor equipment and a five-year extended warranty program at the Clearwater Power Plant in the amount of \$154,628; and
2. Authorize the City Manager, or designee, to execute the Agreement with Atlas Copco, including minor non-substantive changes.

BACKGROUND:

The Clearwater Power Plant (Clearwater) was first commissioned in March 2005 and later acquired by the City of Riverside in September 2010. Clearwater is a combined-cycle power plant that produces 28 megawatts of efficient power and serves an important role in providing electricity to the Riverside customers.

Clearwater, like all power plants, utilizes a wide array of equipment and technologies that must work together to generate electricity. Air compressors are one of the pieces of essential equipment. They operate daily to provide clean, pressurized air to numerous pneumatically operated components on a 24/7 basis, even when the power plant is not generating electricity.

Due to their constant operation, Clearwater has two air compressors. Each unit can provide 100% of the pressurized air necessary to operate the plant and provides backup should one of the compressors fail. This is a typical configuration for power plants. Both air compressors at Clearwater have operated over 60,000 hours with traditional standard and preventative

maintenance that has cost about \$16,000 per year. At this time, however, the equipment has reached the stage where recommended maintenance includes major overhauls or replacement.

Because air compressor equipment is specialized for each facility, staff has historically experienced difficulties obtaining vendors with the expertise to perform the maintenance. Attempts to obtain competitive pricing through the Request for Proposal (RFP) process have typically resulted in a single proposal from the original equipment manufacturer (OEM).

DISCUSSION:

An RFP was issued in mid-2019 requesting proposals for the major overhaul of the existing air compressor equipment along with a five (5) year maintenance agreement for the equipment. Atlas Copco, the OEM, was the only vendor that submitted a proposal that met the requirements of the RFP. The proposed cost to complete the work outlined in the RFP was determined to be too high when there was the risk that the air compressors could still fail during the term of the maintenance agreement resulting in a need to replace the equipment. Staff decided to cancel the RFP and evaluate the cost for new air compressors. A second RFP was issued to replace the air compressors with new equipment and to include the recommended maintenance in a five (5) year maintenance agreement.

RFP 2040 for new air compressors and the five-year maintenance term posted on August 24, 2020 and closed on September 29, 2020. Two proposals were received and after review, staff selected Atlas Copco as the most responsive. Atlas Copco provided a very comprehensive proposal for new air compressor equipment and included all recommended maintenance and an extended warranty program that covers all repairs for the next five years. Atlas Copco's price (\$154,628) was competitive because the cost for the new air compressors and the five (5) year extended warranty with maintenance was equal to the cost for a major overhaul of the existing equipment.

Although FS Curtis Toledo provided a lower cost, their proposal excluded substantial components of the RFP such as maintenance for the next five (5) years, labor for removal and installation compressors, and only provided a one (1) year warranty. Because of the number of exclusions and the significant risk for higher costs, staff did not recommend FS Curtis Toledo.

Table 1. RFP Notification Summary

Action	Number of Vendors
External Vendors Notified	500
City of Riverside vendors notified	40
Vendors who downloaded the RFP	29
Proposals received	2

Table 2. Proposals Received

Vendor	Location	Amount	Rank
Atlas Copco	Rock Hill, SC	\$154,628	1
FS Curtis Toledo Inc	Saint Louis, MO	\$104,809	2

Table 3. Atlas Copco Cost Summary

Description	Cost
New Air Compressors	\$85,290.00
New Air Dryer	\$4,380.00
Freight	\$3,800.00
Start-up	\$850.00
Removal of Old Equipment	\$18,152.00
Credit for Old Equipment	(\$2,000.00)
Taxes	\$7,846.13
Sub-Total	\$118,318.13
5-year Warranty and Maintenance	\$36,310.00
Total	\$154,628.13

Bundling the maintenance and warranty into the RFP is anticipated to result in cost savings over the next several years. The cost for the proposed extended warranty with Atlas Copco is \$7,262 per year (\$36,310 over the five-year term) and includes all the recommended maintenance and a “bumper to bumper” warranty for all repairs. It eliminates the exposure to costly repairs that could have been necessary if the existing air compressor equipment were simply to be overhauled. The warranty and maintenance agreement also includes the option to enter another five-year extended warranty program after the initial term. The cost to extend the agreement will be evaluated prior to the end of the current term of the agreement but is expected to be higher than the current annual cost.

The Purchasing Manager concurs that the recommended actions comply with Purchasing Resolution No. 23256.

STRATEGIC PLAN ALIGNMENT:

This item contributes to the following strategic priorities and goals from the Envision Riverside 2025 Strategic Plan:

Strategic Priority 6, Infrastructure, Mobility & Connectivity

Goal 6.2. Maintain, protect, and improve assets and infrastructure within the City’s built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

The item aligns with EACH of the five cross-cutting threads as follows:

1. **Community Trust** – Ensuring that Riverside’s power plants can safely and effectively operate and provide electricity to the entire City and its communities serves the greater public good.
2. **Equity** – This item ensures that the power plants can safely and effectively operate and provide reliable electricity benefitting all of RPU’s customers.
3. **Fiscal Responsibility** – By taking the extra step to evaluate the costs of replacing equipment compared the cost of overhauling equipment, staff was able to identify the most cost-effective approach to ensure the power plant has operating equipment.

4. **Innovation** – This item is a new approach to Clearwater's maintenance and an improvement from the existing situation.
5. **Sustainability & Resiliency** – Riverside's three power plants operate during the most critical need for electricity. Having uninterrupted compressed air for the next five years is essential to sustaining a highly reliable power plant.

FISCAL IMPACT:

The total fiscal impact for the Clearwater Air Compressor is \$154,628. Sufficient funds are available in Clearwater Maintenance-Generating Plant Account No. 6120140-424131.

Prepared by:	Daniel E. Garcia, Utilities Deputy General Manager/Power Resources
Approved by:	Todd M. Corbin, Utilities General Manager
Approved by:	Kris Martinez, Interim Assistant City Manager
Approved as to form:	Phaedra A. Norton, City Attorney

Certifies availability of funds:	Edward Enriquez, Chief Financial Officer/City Treasurer
-------------------------------------	---

Attachments:

1. Service Agreement
2. Bid Award Recommendation
3. Presentation