

General Manager
334 Front Street
Ketchikan, AK 99901

Phone (907) 228-5603
Fax (907) 225-5075

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TRANSMITTAL MEMORANDUM

TO: The Honorable Mayor and City Council

FROM: Karl R. Amylon, General Manager

DATE: February 25, 2020

RE: **Authorizing an Increase of the Purchase Order for the Electric Division's Procurement of Services and Associated Materials for the Repair of Unit No. 1 at the Beaver Falls Hydroelectric Project - Delta Electric Motors, Inc.**

Pursuant to subparagraph 6 of Section 3.12.050(a) of the Ketchikan Municipal Code, at its meeting of October 17, 2019 the City Council adopted a motion exempting the procurement of services and associated materials for the repair of Unit No. 1 at the Beaver Falls Hydroelectric Project from the competitive bidding/written quotation requirements of the Ketchikan Municipal Code. The motion adopted by the City Council also authorized the procurement of such repair services and materials from Delta Electric Motors, Inc. at a cost of \$91,390 and established a contingency in the amount of \$8,610, bringing the total project cost to \$100,000.

As indicated in the attached memorandum from Electric Division System Engineering Manager Jeremy Bynum, additional repairs were required to return the unit to service. Mr. Bynum's report details the additional scope of work that was required and the final cost of repairs in the amount of \$139,357.52.

Given that the Finance Department closed the books for 2019 prior to accounting for the additional cost of work, City Council approval is only required for the increased purchase order for the repairs of Unit No. 1.

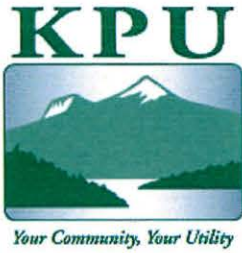
Mr. Bynum and the Electric Division Manager will be attending the City Council meeting of March 5, 2020, in order to address any questions and/or concerns that Councilmembers may have.

A motion has been prepared for City Council consideration.

RECOMMENDATION

It is recommended that the City Council adopt the motion authorizing an increase of the purchase order for the Electric Division's procurement of services and associated materials for the repair of Unit No. 1 at the Beaver Falls Hydroelectric Project from \$100,000 to \$139,357.52.

Recommended Motion: I move the City Council authorize an increase of the purchase order for the Electric Division's procurement of services and associated materials for the repair of Unit No. 1 at the Beaver Falls Hydroelectric Project from \$100,000 to \$139,357.52.



Electric Division
1065 Fair Street
Ketchikan, AK 99901

Phone: (907) 225-5505
Fax: (907) 247-0755

TRANSMITTAL MEMORANDUM

TO: Karl Amylon, KPU General Manager
Lacey Simpson, Assistant KPU General Manager

FROM: Jeremy T. Bynum PE, Electric System Engineering Manager

DATE: February 25, 2020

SUBJECT: **Funding Request for Beaver Falls Generator Unit No. 1.**

This is a request for City Council to authorize additional funding for repairs of Beaver Falls Generator Unit No. 1. The additional request to finalize the repair is \$39,357.52.

Beaver Falls Powerhouse is located at 12860 South Tongass Highway, Ketchikan, Alaska. The powerhouse has three hydropower generators; Unit No. 1 is 1.2 MVA and Unit No. 3 and No. 4 are 2.5 MVA each. Unit No. 1 is operated when there is appropriate water available. Since 2014, Beaver Falls No. 1 has offset purchase power by more than \$1,819,000 or an average of \$300,000 annually.

On October 1, 2019, Unit No. 1 experienced an electrical failure in the rotor pole. This failure caused an unplanned outage of the unit. On October 17, 2019 City Council authorized \$91,390 plus \$8,610 contingency for a total funding in the amount of \$100,000 to begin repairs of the unit; the amount authorized was a general estimate based on the information readily available at the time of initial inspection.

During the repair of the rotor pole, it was discovered that additional repairs were required to complete the work: these included pole jumpers, stator core iron damage, stator end-turn insulation damage, and faulty rotor rings. The final cost of all repairs is \$139,357.52.

This request is to authorize additional funding in the amount of \$39,357.52 for the complete repair. This request will increase the Electric Division's 2019 Additional Projects Capital Account 007-003 Beaver Falls Unit 1 Repair from \$100,000.00 to \$139,357.52; including all contingency amounts and will be used to complete the project. KPU Electric will coordinate with Bob Newell, Finance Director, and is requesting that the funds for this project come from appropriated reserves of the KPU Enterprise Fund. Finance is recommending appropriated reserves of the KPU Enterprise Fund because this is a 2019 expense and the 2019 Budget lapsed on December 31, 2019. A budget transfer or amendment will not be required.

Cc: Andy Donato, Electric Division Manager
Mark Adams, Operations Manager
Bob Newell, Finance Director

"UNAPPROVED"

October 17, 2019

Assistant Manager Simpson clarified there are two main items staff needs direction on; one is perform the hazmat/environmental survey; and the other is seek a fair market appraisal on the property.

Mayor Sivertsen asked for a show of hands to give direction to staff to move forward with the fair market appraisal and environmental survey; motion was declared carried by a show of a least four hands.

Exempting the Procurement of Electric Division Wartsila Cylinder Heads from Competitive Bidding/Written Quotation Requirements of the Ketchikan Municipal Code – Wartsila North America, Inc.

Moved by Williams, seconded by Kiffer pursuant to subparagraph 6 of Section 3.12.050(a) of the Ketchikan Municipal Code, the City Council exempt the procurement of three Wartsila cylinder heads for Bailey Power Plant Generator No. 4 from the competitive bidding/written quotation requirements of the Ketchikan Municipal Code; authorize the procurement of such cylinder heads from Wartsila North America, Inc. at a cost of \$143,780.99, including shipping; establish a contingency in the amount of \$1,219.01, bringing the total project cost to \$145,000; approve budget transfers in the amounts of \$13,000 and \$132,000 respectively from the division's 2019 Electric System Modernization Program and Ward Cove Substation Improvements Capital Accounts to the Wartsila Generator Parts and Repairs Capital Account; and direct the general manager to execute the contract documents on behalf of the City Council.

Electric Division Manager Donato answered questions from the Council.

Motion Passed with Flora, Zenge, Gage, Williams, Kiffer, Bergeron and Coose voting yea.

Professional Services Agreement for a Ketchikan Raw Water Transmission Main Sizing Feasibility Analysis – DOWL

Moved by Kiffer, seconded by Flora the City Council authorize a professional services agreement between the City of Ketchikan d/b/a Ketchikan Public Utilities and DOWL for a Ketchikan raw water transmission main sizing feasibility analysis at a cost not to exceed \$17,000; approve funding from the Water Division's Schoenbar Road Phase 1 Capital Account; and direct the general manager to execute the contract documents on behalf of the City Council.

Water Division Manager Kleinegger answered question from the Council.

Motion Passed with Flora, Zenge, Gage, Williams, Kiffer, Bergeron and Coose voting yea.

Exempt the Procurement of Electric Division Beaver Falls Generator No. 1 Repair Services and Material From the Competitive Bidding/Written Quotation Requirements of the Ketchikan Municipal Code – Delta Electric Motors, Inc.

Moved by Flora, seconded by Coose pursuant to subparagraph 6 of Section 3.12.050(a) of the Ketchikan Municipal Code, the City Council exempt the procurement of service and associated materials for the repair of Generator No. 1 at Beaver Falls from the competitive bidding/written quotation requirements of the Ketchikan Municipal Code; authorize the procurement of such

"UNAPPROVED"

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services and materials from Delta Electric Motors, Inc. at a cost of \$91,390; establish a contingency in the amount of \$8,610, bringing the total project cost to \$100,000; approve a budget transfer in the amount of \$100,000 from the Appropriated Reserves of the KPU Enterprise Fund to the Electric Division's 2019 Additional Projects Capital Account; and direct the general manager to execute the contract documents on behalf of the City Council.

Motion Passed with Flora, Zenge, Gage, Williams, Kiffer, Bergeron and Coose voting yea.

APPROVAL OF VOUCHERS

Moved by Kiffer, seconded by Coose for approval of vouchers to Ketchikan Daily News in the amount of \$11,055.29 and SEAK Professional Services, LLC in the amount of \$130.00.

Motion passed with Coose, Gage, Bergeron, Kiffer and Flora voting yea; Williams and Zenge abstaining.

CITY MANAGER'S REPORT

Assistant Manager Simpson reminded the Council that beginning tomorrow she would be out of town for business, as will be the city manager. She informed that Public Works Director Hilson will be acting city manager in their absence. She said both of them are available by phone or email. She informed staff is on track in releasing the request for proposal (RFP) for the Port reconfiguration, and should be released for public review on Monday, October 21, 2019. She indicated the budget has been reviewed by the city manager's office and is now back in the hands of finance. She said staff plans to release the budget to Council by November 7, 2019.

Schedule of General Government and KPU Appropriated Reserves Through the City Council Meeting of October 3, 2019

In his report, Manager Amylon provided the Council a schedule of the current balance of Appropriated Reserves of the General Government and KPU through October 3, 2019.

PeaceHealth Ketchikan Medical Center Community Health Board Meeting Summary – August 13, 2019

Manager Amylon updated the Council on a report provided by the PeaceHealth Chief Administrative Officer summarizing the Community Health Board meeting of August 13, 2019. He informed Mr. Freysinger will be attending the City Council meeting of October 17, 2019 in order to address any questions and/or concerns that City Councilmembers may have.

Appointment of Senior Librarian – Children's Services

Manager Amylon attached for City Council review a memorandum from Library Director Pat Tully that they have appointed Amie Toepfer as the new Senior Librarian of Children's Services effective November 15, 2019.

K.P.U. MANAGER'S REPORT

Assistant Manager Simpson said unfortunately we have exceeded yet again our raw water sample that was taken last week. She said the results were received today, and the City is becoming increasingly closer to being in Environmental Protection Agency violation. She advised the Council there is only one more opportunity based on the rolling average for a clear water sample, and informed we are down towards the 90% limit.