

**ROCHELLE CITY COUNCIL
AGENDA ITEM MEMO
REGULAR MEETING**

SUBJECT: Ordinance Waiving Competitive Bidding Requirements and Accepting the Quote from Hupp Electric Motors for Repairs to Peaker 1 Generator

Staff Contact: Blake Toliver Superintendent of Electric Operations

Summary: The Peaker 1 generator was sent to Decatur Electric for rewinding and refurbishment. After the generator was returned, reinstalled, and placed back into service, it experienced a catastrophic bearing failure.

Following the failure, Rochelle Municipal Utilities engaged in numerous discussions with Decatur Electric regarding warranty coverage for the repairs that had been performed. Unfortunately, Decatur Electric declined to accept responsibility for the failure or provide warranty coverage for the repair work.

Staff consulted extensively with the City's legal counsel to evaluate potential legal remedies. After reviewing the facts, anticipated litigation costs, and the uncertainty of recovery, it was determined that pursuing legal action would likely cost more than the repair itself. Therefore, staff believes the most prudent course of action is to proceed with repairing the generator and returning the unit to service.

The Peaker 1 generator provides significant value by allowing RMU to generate power during periods when market energy prices are high. Since the unit has been out of service, RMU has been unable to realize those operational savings.

Staff estimates that the City is foregoing approximately \$200,000 in annual savings while the generator remains unavailable. At that rate, the cost of the proposed repair will be recovered in one year or less through avoided purchased power costs and increased generation savings.

Hupp Electric Motors has provided a proposal totaling \$54,740.00 for the required repairs, including replacement of the failed bearing, machining and installation of a new shaft, generator disassembly and reassembly, testing, inspection, and on-site installation and commissioning.

Staff is requesting that competitive bidding requirements be waived because this repair is highly specialized and requires a contractor with extensive experience repairing large synchronous generators of this type. Hupp Electric Motors has evaluated the generator and developed a comprehensive repair plan specific to this equipment. The proposal also represents a substantial savings compared to a previous repair estimate exceeding \$93,000 for similar work.

Given the ongoing financial losses associated with the generator remaining out of service, delaying the repair to pursue a formal bidding process would not be in the City's best financial interest. Prompt authorization of the repair will allow RMU to return the unit to operation as quickly as possible and restore the annual operational savings.

Funding Sources:

Source:	Budgeted Amount:	Proposed Expenditure:
Electric Funds	\$500,000	\$54,740

Strategic Plan Goal Application: Core Service Delivery

Recommendation: Approve an Ordinance Waiving Competitive Bidding Requirements and Accepting the Quote from Hupp Electric Motors for Repairs to Peaker 1 Generator