



Mollhoff/Fisher

**RESOLUTION NO. 6373**

**WHEREAS**, the Sarpy County Station Unit 2 (SC2) engine was inspected and found to be in need of repair to ensure reliable and resilient supply of electricity for the District's customers; and

**WHEREAS**, the District's Engineer has certified that there are limited potential bidders capable of supplying parts and specialized services for the refurbishment work; the work is technologically complex; and the District will achieve a better result with face-to-face negotiations on the complex project specifications and contract terms; and

**WHEREAS**, for these reasons, the District's Engineer has certified that the use of sealed bidding would be impractical and not in the public interest; and

**WHEREAS**, pursuant to Nebraska Revised Statute Section 70-637 (as amended), and upon approval of the Engineer's Certification by the Board of Directors, the District may negotiate and enter into a contract or contracts related to such project without sealed bidding.

**NOW, THEREFORE, BE IT RESOLVED** by the Board of Directors of the Omaha Public Power District that:

1. The Engineer's Certification requesting that the Board waive the sealed bid requirements, in accordance with Nebraska Revised Statutes Sections 70-637 through 70-639, is hereby approved.
2. Management is hereby authorized and directed to negotiate and enter into the necessary contract or contracts for the refurbishment of the Sarpy County Station Unit 2 engine, subject to review and approval of the final contract(s) by the District's General Counsel.
3. The notice required by Nebraska Revised Statutes Section 70-637 shall be published in the Omaha World Herald, or other similar newspaper of general circulation.



# Board Action

## BOARD OF DIRECTORS

May 12, 2020

### ITEM

Sarpy County Station Unit 2 Repair Parts and Services

### PURPOSE

Provide parts and services needed for the repair of Sarpy County Station Unit 2.

### FACTS

- a. The Sarpy County Station Unit 2 engine was inspected in the fall of 2019 and found to have degradation of the major components and is in need of repair.
- b. The unit is required to be disassembled and repaired in the fall of 2020 to ensure a reliable and resilient supply of electricity to the District's customers.
- c. The District's engineer has certified the complex nature of the work and that use of the sealed bid process is impractical and not in the public's best interest.

### ACTION

Approval of the Engineer's Certificate and authorization for management to negotiate and enter into contract(s) to achieve the best total cost of ownership for the replacement/refurbishing of parts and specialized services for repair of the Sarpy County Station Unit 2 engine.

RECOMMENDED:

/s/ Mary J. Fisher

Mary J. Fisher  
Vice President – Energy Production and  
Nuclear Decommissioning

APPROVED FOR BOARD CONSIDERATION:

/s/ Timothy J. Burke

Timothy J. Burke  
President and CEO

MJF:cjz

Attachments: Letter of Recommendation  
Engineer's Certificate  
Legal Opinion  
Resolution



## MEMORANDUM

**DATE:** April 24, 2020

EPND-2020-11

**FROM:** S.A. Eidem

**TO:** M.J. Fisher

**SUBJECT:** Sarpy County Station Unit 2 Repair Parts and Services

### 1.0 GENERAL

OPPPO utilizes the Original Equipment Manufacturer (OEM) recommendations, operating parameter trends, and regular inspections of the Peaking Station units to determine the optimum time for major work. Sarpy County Station Unit 2 engine is approaching the OEM's recommended overhaul interval based on unit operating conditions and utilization. Regular inspections performed in the fall of 2019 showed conditions that necessitate an engine major inspection and overhaul in the near future. The overhaul has been scheduled in coordination with other unit outages and the regional operator, Southwest Power Pool, for fall of 2020, after the summer peak operation season.

Under the current plan, the unit will be disassembled, inspected, and repaired to restore parts for the compressor stages, bearings, combustion section, turbine stages, and accessories to as new conditions. Minor upgrades to seals and parts specifications will also be performed as economically justified to improve the unit service intervals, reliability, and efficiency. Based on past experience, the causes for repair and replacement are expected to include cracking, embrittlement, foreign object damage, and regular wear of internal parts. Contracts for parts, field assistance, and specialized services are expected to exceed \$500,000.

Compliance with the sealed bidding requirements of the Nebraska Statutes is impractical and not in the public's best interest. The work performed is technically complex as are the pricing strategies, capabilities, and specific techniques employed by the vendors that can provide the necessary services. The exact condition of the parts in the unit will not be known until the unit is disassembled and the availability of replacement parts is expected to vary significantly across the available suppliers. To ensure the best interests of our customer-owners are served, detailed discussion and negotiations with the available suppliers are required to minimize cost, risk, and outage time while ensuring the best total cost of ownership for parts and services.

Therefore, it is in the District and public's best interest to forgo the sealed bidding process. Instead, competitive bids will be sought through a publically available Request for Proposal (RFP) and detailed negotiation process with the capable bidders. The contract will be awarded to the supplier or suppliers with the lowest and best bid(s).

While the exact cost of repair will not be known until final proposals are received, the engineer's estimate is \$2,700,000 based on budgetary estimates and past similar work.

2.0 RECOMMENDATION

An Engineer's Certificate for the above has been prepared. Approval of that Certification is recommended. We request the Board of Directors to approve the Engineer's Certification and to authorize management to forgo the public sealed bidding process and negotiate and award competitively bid contract(s) that meets the District's needs.

*Scott A. Eidem*

S.A. Eidem, P.E.  
Director, Engineering Services  
Energy Production and Nuclear Decommissioning

## ENGINEER'S CERTIFICATE

The Sarpy County Station Unit 2 engine was inspected and found to have typical degradation of the major internal components and has been scheduled for refurbishment. The unit will be taken out of service and disassembled for a detailed inspection and evaluation. The disassembly, evaluation, and reassembly will require specialized parts and services to ensure reliable operation.

The undersigned certifies that there are limited potential bidders capable of supplying parts and/or the specialized services required to perform this work.

Furthermore, the technical specifications and contract requirements for this work will be detailed and complex. The ability for OPPD to conduct face-to-face contract negotiations with potential bidders will enable OPPD to prepare detailed, customized contract specifications and commercial terms to assure that the suppliers are capable and will supply the parts and services that are reliable, efficient, and cost effective in meeting the District's needs.

For the reasons set forth above, the undersigned, a Nebraska professional engineer employed by OPPD, certifies that compliance with the sealed bidding requirements of Nebraska statutes, Neb. Rev. Stat. Sections 70-637-70-641, is impractical and not in the public interest.

Pursuant to Section 70-637 R.R.S. (1943, as amended) the Board of Directors is requested to approve this Engineer's Certificate and authorize Management to negotiate and enter into a contract(s) to supply parts and specialized services for the Sarpy County Unit 2 engine.

I, Clinton J. Zavadil (registered Professional Engineer in the State of Nebraska), certify the above to be true and correct to the best of my knowledge and belief.

Clinton J. Zavadil, P.E.

Date





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May 1, 2020

Omaha Public Power District  
444 South 16th Street  
Omaha, NE 68102

RE: Sarpy County Station Unit 2

Ladies and Gentlemen:

We have reviewed the Engineer's Certification of Clinton J. Zavadil, a registered professional engineer in the State of Nebraska employed by the District. Mr. Zavadil's Engineer's Certification states that it is necessary for the District to refurbish certain internal components of the engine for Sarpy County Station Unit 2. The Certification states that there are limited potential bidders capable of supplying parts and specialized services for the refurbishment work; the work is technologically complex; and the District will achieve a better result with face-to-face negotiations on the complex project specifications and contract terms. For these reasons, Mr. Zavadil certifies that the use of sealed bidding would be impractical and not in the public interest.

Section 70-637 of the Nebraska Revised Statutes authorizes the District's Board of Directors, by a two-thirds vote, to approve an Engineer's Certification for technologically complex or unique projects, and to authorize the District to enter into a contract to complete the project. The District is required to advertise its intention to enter into any such contract in three (3) newspapers of general circulation within the District's service area, with not less than seven (7) days between issues. The contract cannot be entered into sooner than twenty (20) days after the last advertisement.

It is our opinion that Mr. Zavadil's Engineer's Certification complies with § 70-637 and is in a form that is appropriate for approval by the District's Board of Directors. Therefore, the Board of Directors may approve the Engineer's Certification and authorize Management to negotiate and enter into the necessary contract(s) for the refurbishment of the Sarpy County Station Unit 2 engine. We recommend that any such contract be subject to review and approval by the District's general counsel.

Very truly yours,

Stephen M. Bruckner  
FOR THE FIRM

SMB/sac  
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