

CITY OF VINELAND

RESOLUTION NO. 2017-555

RESOLUTION AUTHORIZING THE EXECUTION OF AN
AMENDMENT TO A LONG TERM SERVICE AGREEMENT
BY AND BETWEEN THE CITY OF VINELAND
MUNICIPAL ELECTRIC UTILITY AND SIEMENS
ENERGY, INC

WHEREAS, City Council of the City of Vineland adopted Resolution 09-623 wherein Change Order No. 16 thereto authorized the execution of a Long Term Service Agreement (LTSA) for service to two Rolls Royce/Siemens Combustion Turbine Generators, known as Down No. 11 and Clayville No. 1; and

WHEREAS, Section 8 of the LTSA includes an escalation clause which permits all fees and prices listed therein to be subject to an escalation based upon certain calculations commencing in year two of the LTSA; and

WHEREAS, Siemens Energy, Inc. intends upon amending the relevant indices utilized to calculate any escalation; and

WHEREAS, the Director has investigated the costs and benefits of the proposed change in the calculation of the escalation specified in the LTSA as well as considering the fact that the LTSA is a necessary and integral part of the operation of the two generation facilities and that should they fail to operate when scheduled to do so by PJMISO, financial penalties will be incurred and based upon the costs and benefits has recommended the execution of the amendment to the LTSA as attached hereto.

NOW THEREFORE BE IT RESOLVED by the Council of the City of Vineland that the Mayor and Clerk are hereby authorized to execute Amendment No. 17 to the Long Term Service Agreement between the City of Vineland and Siemens Energy, Inc., as attached hereto.

Adopted:

President of Council


ATTEST:

City Clerk

MEMORANDUM

December 8, 2017

TO: BUSINESS ADMINISTRATION

FROM: Peter Kudless, Project Manager 

SUBJECT: Request for Resolution to Amend the Long Term Service Agreement for VMU's Unit #11 and Clayville CTG Units

Under the terms of Contract # RES09-623, the City of Vineland has purchased two Rolls Royce/Siemens Combustion Turbine Generators which are currently in operation. Change Order No. 16 to Contract No. RES09-623, which was issued on March 24, 2016, incorporated a Long Term Service Agreement (LTSA) for both Down Unit # 11 and Clayville Unit # 1. Attached is a copy of Change order # 16, as well as the Certification of Availability of Funds and the certified Res. # 2016-96.

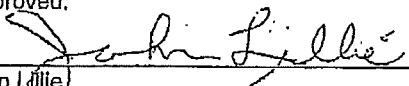
Section 8, PRICES, FEES PAYMENT and TAXES of the LTSA includes in sub-section 8.2, Escalation, which states in part that "all fees and prices listed in Exhibit H including the ANNUAL MAINTENANCE FEE shall be subject to escalation, commencing at the beginning of the second CONTRACT YEAR and provides the basis for calculating the escalation. Copies of Section 8 and Exhibit H are attached.


Siemens advised VMU on October 9, 2017 (copy attached) that "...we wish to inform that UK Office of National Statistics (ONS) has discontinued one of the indices which was tracked for our contract..." Specifically, indice JVU7 - Repair and Maintenance Service of Aircraft & Spacecraft was discontinued. Further, Siemens proposed as a replacement to JVU7 going forward a new equivalent: JV8L - Engines & Turbines, except Aircraft, Vehicle & Cycle Engines.


VMU has reviewed the costs vs. benefits of this proposal from both a labor and materials cost perspective, as well as a risk assessment perspective, bearing in mind that if either of these two generating units cannot operate when scheduled to run by the PJM ISO, financial penalties will be incurred.

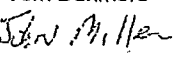

If the proposed amendment to the LTSA is approved as requested, the revised escalation formula will apply to quotes and work performed/completed by Siemens after both parties sign the amendment. Consequently, there is no contract price increase at this time

Approved:


John Lillie
Director, Municipal Utilities

cc: Richard Tonetta
Miguel Mercado
Wanda Reid
John Lillie
 Joseph Isabella

Gus Foster
Steve August 
John Reynolds
Tom Dunmore

 John Miller 

Amendment No.17

TO

**Long Term Service Agreement (LTSA)
(Reference No. 0426)**

BETWEEN

Vineland Municipal Electric Utility

AND

Siemens Energy Inc.

WHEREAS Siemens Energy Inc. (hereinafter 'CONTRACTOR') and **Vineland Municipal Electric Utility** have a Long Term Service Agreement (LTSA) No. 0426 for WORK on COMPANY property dated February 17, 2016.

WHEREAS Siemens Energy Inc. wish to amend the Agreement in part as a direct result of external source data modifications (the "Amendment No. __17__").

NOW, THEREFORE the Parties agree as follows:

This Amendment No. __17__ dated October 4, 2017 forms an amendment to the existing Long Term Service Agreement (LTSA) No. 0426

This amendment shall become effective and binding upon both Parties at the date signed by both.

All clauses, sentences and sections of the Long Term Service Agreement (LTSA) No. 0426 not explicitly mentioned in the following shall remain unchanged.

The Provisions below of the Agreement shall be revised as follows:

1. The Paragraph 8.2 Escalation, Page 15 of the LTSA shall be deleted in its entirety and replaced with the following Paragraph:
Unless otherwise stated, all fees and prices listed in Exhibit H including the ANNUAL MAINTENANCE FEE shall be subject to escalation, commencing at the beginning of the second CONTRACT YEAR and calculated as follows:

$$P_n = P_o \times (0.65^{(ln/lo)} + 0.35^{(mn/mo)})$$

P_n is the relevant price or fee for CONTRACT YEAR in consideration
 P_o is the relevant price or fee based on the Amended Exhibit H below

L_o is the index number of "US Bureau of Labor Statistics" Series (PCU3364: Aerospace product and parts manufacturing) for the month of October 2016

L_n is the corresponding index to L_o for the month preceding the relevant new CONTRACT YEAR

M_o is the index number of Producer Prices – MM22, table JV8L "Price Indices 2811000000: Engines & Turbines, except Aircraft, Vehicle & Cycle Engines for the month of October 2016

M_n is the corresponding index to m_o for the month immediately preceding the relevant new CONTRACT YEAR

If the United Kingdom or United States ceases to publish any of the statistics referred to above or modifies the basis of the calculation then SELLER shall have the right to substitute any officially recognized, proper and substantially equivalent statistic. In the event of a negative escalation for any CONTRACT YEAR, the relevant price or fee shall be equal to price or fee for the preceding CONTRACT YEAR.

2. Exhibit H, Page 40 of the LTSA shall be replaced in its entirety with the following paragraph:

1.0 FEES

For the services described in this AGREEMENT, the following fees apply:

1.1 Initial Spare Purchase No further purchase required

1.2 ANNUAL MAINTENANCE FEE USD\$ 534,234.65

1.3 Event Based Fees

A Class Inspection USD\$ \$115,473.53 (per unit, per event)

- Scheduled parts kit (Inspection Kit)
- Labor and travel expenses
- A1 Inspections as required

B Class Inspection USD\$ \$3,174,481.91 (per unit, per event)

- Site inspection covering parts, labor, expenses
- Engine removal, installation and commissioning
- Overhaul management/coordination
- Factory overhaul and refurbishment costs

C Class Inspection USD\$ \$6,579,402.74 (per unit, per event)

- Site inspection covering parts, labor, expenses
- Engine removal, installation and commissioning
- Overhaul management/coordination
- Factory overhaul and refurbishment costs

Any component and or assembly in need of replacement due to cyclical lifing shall be replaced and charged to the OWNER at catalogue pricing along with any labor costs incurred in the replacement of the components. The cyclical life shall be assumed to have been reached if at the B class interval more than 60% of the calculated life of the item has been reached, thus allowing the unit to complete its running term to the C class interval.

SCR Coverage:

A1 Class Inspection (Annual Inspection)USD\$ \$17,458.55 (per unit, per event)

- Includes service engineers time, test equipment and expenses
- Excludes replacement parts or materials. Replacement parts and materials will be considered unscheduled maintenance in terms of compensation.

Test CouponInvoice Cost + 15% (per event)

SCR and CO Catalyst ReplacementInvoice Cost + 15% per event

- Includes SCR and CO catalysts
- Includes service engineers time, test equipment and expenses
- Includes misc. clamps, bolts, washers and needed hardware
- Excludes spent catalyst disposal

SCR Unscheduled Maintenance

- Except valid warranty situations, compensation for goods and services associated with SCR unscheduled maintenance will be additional to the fees expressed above. Compensation for unscheduled maintenance will be in accordance with Rolls-Royce prevailing standard labor rates and list prices for spare parts; and Rolls-Royce invoice cost plus 15% mark-up for third-party services.

1.4 UNSCHEDULED MAINTENANCE

SELLER will respond to all UNSCHEDULED EVENTS throughout the contract term. Except for valid warranty situations, compensation for goods and services associated

with UNSCHEDULED MAINTENANCE will be additional to the Fees expressed in this Exhibit and based on SELLER'S prevailing labor rates and list prices for spare parts; and SELLER'S invoiced cost plus 15% for third-party services.

Unscheduled Lease Engine Usage\$USD 35,790.45 (per unit, per week)

- The weekly fee will be prorated for partial weeks
- The fee is applicable based on DELIVERY

1.5 PRICING TERMS

1. The prices/fees expressed in this Exhibit H are in US Dollars
2. The ANNUAL MAINTENANCE FEE is payable pursuant to sub-clause 8.3 of the AGREEMENT.
3. Event Based Fees pursuant to sections 1.3 and 1.4 are payable upon completion within 30 days of receipt of SELLER'S invoice.
4. The OWNER will be invoiced for the Initial Spares Purchase based on the value of items shipped.

For and on behalf of
Siemens Energy Inc.

For and on behalf of
Vineland Municipal Electric Utility

Signed

Signed

Name

Name

Position

Position

Date

Date