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The City of Gainesville D/B/A Gainesville Regional Utilities (GRU) Claim for Recovery in Regard to Parker Substation Transformer Contract (NB)

Authorize the Office of the City Attorney, in coordination with the General Manager for Utilities, to pursue litigation or other resolution of the City's claim, including settlement if appropriate.

On January 31, 2018, the City entered into a contract with Carvels LLC d/b/a Georgia Transformer LLC to build a power transformer for the City's Parker Substation. The specified delivery date for the transformer was the end of November 2018. The total contract price for the transformer, including delivery and assembly was \$1,241,532.00. Production of the transformer was fraught with problems and delays. The transformer failed multiple factory tests raising concerns about its reliability in the field. Test reports confirmed multiple instances of electrical discharge due, at least in part, to workmanship errors resulting in damage to components.

The City retained a transformer expert to conduct a review of the various reports generated by Georgia Transformer including repeated workmanship errors, quality issues, and design flaws. The City also solicited specific information from Georgia Transformer regarding its manufacturing and design processes. The expert identified deficiencies and concerns regarding Georgia Transformer's manufacturing processes, substandard workmanship quality, design flaws and substandard wiring within the transformer. Following the expert's assessment, and based upon Georgia Transformer's inability to cure defects, the City took appropriate steps to terminate the contract. The City seeks to recover its down payment in the amount of \$124,153.20, and avoid further charge.

The City Attorney's Office will handle this litigation in-house. Litigation expenses will be paid from budgeted GRU funds.