

7/28/14

14-0153-NC87- Maintenance & Repair
Steam Trap (E/D)

Department of Veterans Affairs
VA Southeast Health Care Network (VISN 7)
Contracting Officer (90C)
Medical Center, 3701 Loop Road East
Tuscaloosa, AL 35404

Memorandum 2013-003
July 15, 2013

LIMITED SOURCES JUSTIFICATION
ORDER >\$100,000
FAR PART 8.405-6(g)

2237 Transaction # or Vista Equipment Transaction #: 679-14-2-5533-0105

This acquisition is conducted under the authority of the Multiple Award Schedule Program. The material or service listed in par. 3 below is sole source, therefore, consideration of the number of contractors required by FAR Subpart 8.4 – Federal Supply Schedules, is precluded for the reasons indicated below.

Restricted to the following source: Provide original manufacturer's name for material or contractor's name for service. (If a sole source manufacturer distributes via dealers, ALSO provide dealer information.)

Manufacturer/Contractor: Armstrong International (material) / Utility Systems Solutions (installation)
Manufacturer/Contractor POC & phone number: Dealer: David F. Shutler, President/ 972-740-1234
Mfr/Contractor Address: Contractor, US2, 3030 LBJ Freeway, Suite 700, Dallas, TX 75234-7763
Dealer/Rep address/phone number: Jim Buchanan, 3030 LBJ Freeway, Suite 700, Dallas /214-722-7506

☒ The requested material or service represents the minimum requirements of the Government.

(1) AGENCY AND CONTRACTING ACTIVITY: Department of Veterans Affairs
VA Southeast Health Care Network (VISN 7)
Contracting Officer (90C)
Medical Center, 3701 Loop Road East
Tuscaloosa, AL 35404-5088
VISN: VISN 7

(2) NATURE AND/OR DESCRIPTION OF ACTION BEING APPROVED:

VISN 7 has a mandatory requirement to meet Federal energy reduction goals and proposes to award a firm fixed-price contract to Utility Systems Solutions, Inc, a Service Disabled Veteran-Owned Small Business (SDVOSB) under the authority of the Multiple Award Schedule Program and under the statutory authority permitting other than full and open competition FAR 6.302-5 "Authorized or Required by Statute." Specifically Public Law 109-461, Veterans Benefits, Health Care and Information Technology Act of 2006, codified at 38 U.S.C. 8127(c), permits the Department of Veterans Affairs to conduct sole source procurements, greater than \$100,000 and less than \$5 million, to responsible SDVOSB's, if at a fair and reasonable price. This vendor owns several GSA Schedules that show its pricing is fair and reasonable: GS 21F-0159X under GSA Schedule 03 FAC, for "Energy Audit Services" with SIN No. 871 205 "Energy Audit Services" covering Energy Audits and HVAC Maintenance Services; GS 07F-0121T under GSA Schedule 56, with SIN No. 563-29 for "Buildings and Building Materials," and with installation services under SIN No. 563-98 "Ancillary Services Related to Building Materials;" and GS 07F-0508T under GSA Schedule 84 for "Facility Management Services" under SIN No. 246 52 "Professional Facility Management Services." In addition, this vendor is an authorized dealer under GSA Schedule GS 07F-0450M which includes the Armstrong SteamEye Trap Monitoring System. US2 is registered as a verified SDVOSB in the VetBiz Registry and is SBA certified as an 8(a)/(SDB).

Department of Veterans Affairs
VA Southeast Health Care Network (VISN 7)
Contracting Officer (90C)
Medical Center, 3701 Loop Road East
Tuscaloosa, AL 35404

Memorandum 2013-003

July 15, 2013

(3) (a) A DESCRIPTION OF THE SUPPLIES OR SERVICES REQUIRED TO MEET THE AGENCY'S NEED:

VISN 7 has a requirement for maintenance and repair services of steam trap monitoring equipment that monitors the steam distribution systems to 1) prevent internal energy losses, 2) enhance safety of operations, and 3) generate energy savings that can be sustained at 3% annually. This requirement is mandated by Executive Order 13123, and several recent statutory enactments establishing the Federal total energy reduction goal of 30% by FY 2015, using FY 2003 as baseline. The two key acts are The Federal Energy Policy Act of 2005 (EPAct 2005), and the Federal Energy Independence and Security Act of 2007 (EISA 2007). Because some 65% of the energy dollar is being spent on steam systems, VISN 7 contracted with US2 to replace malfunctioning steam traps and install monitoring equipment using Armstrong SteamEye® Monitoring Systems (This contract was competed off GSA Schedule). To meet these requirements, VISN 7 proposes to use US2 based on its agreement with Armstrong, extensive knowledge of our VISN 7 systems, to ensure warranty continuity and SDVOB status. The contractor will perform an annual service agreement to service the steam traps and the monitoring system (transmitters, repeaters, and low battery change out) for nine (9) facilities within VISN 7. By monitoring traps through US2's web based, wireless, radio frequency (RF) systems, VISN 7 will be able to operate the steam system more efficiently and safely by avoiding dangerous water hammer in the steam lines, reducing hazardous steam leaks, and reducing energy loss from internal steam leaks that are otherwise undetectable without labor intensive surveys. We will also be able to sustain this energy savings which is the primary hurdle in implementing numerous other energy saving programs. As noted above Utility Systems Solutions, Inc is the only contractor authorized by Armstrong International, the manufacturer, as a dealer on GSA Schedule. The program will be managed by the VISN 7 Energy Manager in VA Tuscaloosa.

(b) ESTIMATED DOLLAR VALUE: \$495,000.00 base year/ \$2.475M base plus 4 option years

(c) REQUIRED DELIVERY DATE: 15 August 2014

(4) IDENTIFICATION OF THE JUSTIFICATION RATIONALE (SEE FAR 8.405-6), AND IF APPLICABLE, A DEMONSTRATION OF THE PROPOSED CONTRACTOR'S UNIQUE QUALIFICATIONS TO PROVIDE THE REQUIRED SUPPLY OR SERVICE. (CHECK ALL THAT APPLY AND COMPLETE)

☒ Specific characteristics of the material or service that limit the availability to a sole source (unique features, function of the item, etc.). Describe in detail why only this suggested source can furnish the requirements to the exclusion of other sources.

Function: Armstrong's SteamEye® trap monitoring system is a patented, real time, alarming, wireless system, using proprietary software and specially programmed hardware capable of monitoring the condition of all steam traps operating in our system and of generating needed status reports at local and VISN level. Maintenance: The equipment currently installed is the Armstrong equipment and therefore only the manufacturer can appropriately maintain the equipment. Unique Features: Only the Armstrong system is capable of monitoring up to 2,000 traps per site, and reporting the status real time to the VISN Energy Manager for verification of the energy savings at each site. Our field research revealed that only the Armstrong system is capable of operating in manholes and underground pits

Department of Veterans Affairs
VA Southeast Health Care Network (VISN 7)
Contracting Officer (90C)
Medical Center, 3701 Loop Road East
Tuscaloosa, AL 35404

Memorandum 2013-003
July 15, 2013

where the steam lines are located. Its basic components include a transmitter unit that mounts to the steam trap and transmits its condition real-time using a radio frequency (RF) signal; a repeater to boost the signal as it encounters buildings or obstructions; a receiver to collect the RF signals and report to a computer/monitor to display the status of each trap. This receiver can be web enabled to permit sharing of the data on a need-to-know basis with key personnel at higher headquarters. This system has been installed and is currently operating at numerous VA sites and other Federal sites as noted above. US2 has an extensive track record of providing energy saving system design, steam trap monitoring web communications, and turnkey wireless monitoring installations of the GSA listed components. This track record includes over 100 Federal projects including steam trap monitoring projects at Joint Base Lewis McChord (JBLM) in Tacoma, WA, Whidbey Island Naval Air Station in Washington State, the Bureau of Engraving and Printing in Washington, DC, and VA Facilities in San Francisco, Bronx, Menlo Park, Amarillo, Brooklyn and Little Rock.

☒ A patent, copyright or proprietary data limits competition. The proprietary data is:
Patent. The Armstrong SteamEye system that has been installed in VISN 7 is patented and proprietary. Its unique characteristics are protected under Patent No. 6,145,529, dated November 14, 2000. Specifically, this system is patented to test both conductivity and acoustic waves to determine internal failure of a steam trap. Other systems that simply test the delta in temperature across a steam trap are not sufficiently robust to survive the hostile environment of heat and humidity in VISN 7's manholes, tunnels and 50 year old buildings. Proprietary Data: The software needed to operate the system in these conditions is proprietary to Armstrong. Utility Systems Solutions, Inc is the only authorized participating dealer on GSA Contract GS 07F-0460M and therefore is able to make use of the patent and the proprietary data. No other contractor is an authorized participating dealer licensed to use the patent or the software.

☒ These are "direct replacements" parts/components for existing equipment.
The energy study conducted during the field investigation phase of this project, identified the Armstrong traps and transmitters required to properly monitor our steam system components with real time wireless components. The Armstrong components that we seek to maintain will require direct replacements for the failed components that are currently wasting energy.

☒ The material/service must be compatible in all aspects (form, fit and function) with existing systems presently installed/performing. Describe the equipment/function you have now and how the new item/service must coordinate, connect, or interface with the existing system.
The steam trap monitoring system is built using the Armstrong product. No other manufacturer makes replacement parts that are compatible with this equipment. Additionally, VISN 7 currently has multiple Building Automation System controls operating at each of the facilities which presents a unique problem. In order to be compatible with existing systems, we need a steam trap monitoring system that has "open architecture" which permits it to be configured to each specific location. The Armstrong system we have identified is built with open architecture and is therefore compatible with existing systems presently installed.

☐ The new work is a logical follow-on to an original Federal Supply Schedule order provided that the original order was placed in accordance with the applicable Federal Supply Schedule ordering procedures. The original order must not have been previously issued under sole source or limited source procedures.

Department of Veterans Affairs
VA Southeast Health Care Network (VISN 7)
Contracting Officer (90C)
Medical Center, 3701 Loop Road East
Tuscaloosa, AL 35404

Memorandum 2013-003
July 15, 2013

NA

☒ An urgent and compelling need exists, and following the ordering procedures would result in unacceptable delays.

Simply put, we are wasting energy and generating harmful CO2 on a daily basis and need to take immediate action to remedy this situation.

(5) DESCRIBE WHY YOU BELIEVE THE ORDER REPRESENTS THE BEST VALUE CONSISTENT WITH FAR 8.404(d) TO AID THE CONTRACTING OFFICER IN MAKING THIS BEST VALUE DETERMINATION:

FAR 8.404(d) provides: "Supplies offered on the schedule are listed at fixed prices. Services offered on the schedule are priced either at hourly rates, or at a fixed price for performance of a specific task (e.g., installation, maintenance, and repair). GSA has already determined the prices of supplies and fixed-price services, and rates for services offered at hourly rates, under schedule contracts to be fair and reasonable. Therefore, ordering activities are not required to make a separate determination of fair and reasonable pricing, except for a price evaluation as required by 8.405-2(d) Orders exceeding the maximum order threshold." Although the ordering activity is not required to make a separate determination of fair and reasonable pricing, this vendor would satisfy such a determination as well as a best value determination. As the only authorized dealer on GSA Schedule GS-07F-0460M, Utility Systems Solutions (US2) provides discounted pricing for all Armstrong SteamEye components which matches the manufacturer's pricing. The discount generally equates to a 20% discount to Federal buyers, which has been competitively negotiated. No other vendor is an authorized dealer on GSA Schedule GS-07F-0460M.

The Contracting Officer will be able to conclude that the order represents best value consistent with FAR 8.404(d) because a complete analysis of all costs will be fully utilized prior to award of the contract. Pricing for similar services that were contracted for VISN 7 will also be utilized to determine price reasonableness. In accordance with FAR Part 15.405 a prudent and competent person would be willing to pay the price negotiated by the GSA for a product listed on GSA Schedule. Over and above the price reasonableness consideration for the components themselves, is the fact that the vendor identified, Utility Systems Solutions, Inc., has performed turnkey installations of this same system at numerous Federal facilities and from its past performance has developed a track record that is easily identified for cost comparison purposes through the Federal Procurement Data System website (FPDS.gov). No other vendor has such an extensive track record for comparison purposes. Accordingly, we believe this order represents the best value to the government.

(6) DESCRIBE THE MARKET RESEARCH CONDUCTED AMONG SCHEDULE HOLDERS AND THE RESULTS OR A STATEMENT OF THE REASON MARKET RESEARCH WAS NOT CONDUCTED:

Utility System Solutions is the only distributor of the Armstrong product on FSS. The equipment to be installed in this contract must be compatible with the Armstrong "SteamEye" product. No other manufacturer produces such equipment. The original contract was competed on ebuy in accordance with FAR and VAAR regulations. The successful offeror, Utility System Solutions is the only distributor of the Armstrong product on FSS. The contracting officer issued a Special Notice of its Intent to Sole Source to

Department of Veterans Affairs
VA Southeast Health Care Network (VISN 7)
Contracting Officer (90C)
Medical Center, 3701 Loop Road East
Tuscaloosa, AL 35404

Memorandum 2013-003
July 15, 2013

US2 via FBO.gov. There were nor responses to the notice.

(7) ANY OTHER FACTS SUPPORTING THE JUSTIFICATION:

There are a number of additional facts supporting this justification. An extensive study was performed in response to Solicitation Number VA-247-10-RP-0134 under VA Contract No. VA247-P-1319 and Purchase Order No. 679-C05128 for providing Technical Steam Trap Assessments and Audits at all Medical Centers within VISN 07. The study uncovered a number of severe energy deficiencies. The study for Charleston VA is representative of the nature and extent of our problems with steam systems across the VISN. It is summarized below:

VA CHARLESTON TOTAL ANNUALIZED SUMMARIES	
Steam Loss (lbs)	8,966,368
Monetary Loss (USD)	\$99,706
Fuel used to generate lost steam (MMBTU/yr)	11,783
CO2 Emissions (lbs)	1,379,550

As this table shows that at only one of nine facilities in the VISN, we are losing roughly 9 million pounds of steam annually at a cost to the taxpayers of nearly \$100,000.00. In addition, we are producing over 1.3 million pounds of dangerous CO2 emissions from the production of needless steam. Based on these studies, VISN 7 has determined that steam system monitoring is the best way to address the significant energy losses in our system and will yield substantial monetary and energy savings to the VISN facilities. If the systems are not properly maintained through this service agreement, the savings achieved will begin to diminish at a predicted rate of 10% degradation per year.

(8) A STATEMENT OF THE ACTIONS, IF ANY, THE AGENCY MAY TAKE TO REMOVE OR OVERCOME ANY BARRIERS THAT LED TO THE RESTRICTED CONSIDERATION BEFORE ANY SUBSEQUENT ACQUISITION FOR THE SUPPLIES OR SERVICES IS MADE:

None. There are no barriers to acquisition for the supplies and services required. The agency could look at replacing the steam system in a few years with a totally new system which allows for competition.

(9) REQUIREMENTS CERTIFICATION: I certify that the requirement outlined in this justification is a bonafide need of the Department of Veterans Affairs and that the supporting data under my cognizance, which are included in the justification, are accurate and complete to the best of my knowledge. I understand that processing of this limited sources justification restricts consideration of Federal Supply Schedule contractors to fewer than the number required by FAR Subpart 8.4.

SIGNATURE

NAME

FACILITY

DATE

TITLE

SERVICE LINE/SECTION

Department of Veterans Affairs
VA Southeast Health Care Network (VISN 7)
Contracting Officer (90C)
Medical Center, 3701 Loop Road East
Tuscaloosa, AL 35404

Memorandum 2013-003
July 15, 2013

(10) APPROVALS IN ACCORDANCE WITH FAR 8.405-6(h):

a. **CONTRACTING OFFICER'S CERTIFICATION (required):** I certify that the foregoing justification is accurate and complete to the best of my knowledge and belief.

Antonio Jackson
CONTRACTING OFFICER'S SIGNATURE

07-21-2014
DATE

Antonio M. Jackson, CO
NAME AND TITLE

Tuscaloosa VAMC - 679
FACILITY

HIGHER LEVEL APPROVAL (For orders over \$650,000): ☒ REQUIRED ☐ NOT REQUIRED

b. **NCM/PCM/DESIGNEE:** I certify that the foregoing justification is accurate and complete to the best of my knowledge and belief.

Prudence Howard
SIGNATURE

25 July 2014
DATE

Prudence Howard
Director of Contracting, NCO7

HIGHER LEVEL APPROVAL (Required For orders over \$650,000): ☒ REQUIRED ☐ NOT REQUIRED

e. **SAO:** I certify the justification meets requirements for restricting consideration of Federal Supply Schedule contractors to fewer than the number required by FAR Subpart 8.4.

SCOTT R FISCUS 381888

Digitally signed by SCOTT R FISCUS 381888
DN: dc=gov, dc=va, o=internal, ou=people,
0.9.2342.19200300.100.1.1=scott.fiscus@va.gov, cn=SCOTT R FISCUS 381888
Date: 2014.07.25 14:31:08 -04'00'

SIGNATURE

DATE

Jeffrey R. Ryan
NAME
DIRECTOR, SAO East (Acting)

Department of Veterans Affairs
VA Southeast Health Care Network (VISN 7)
Contracting Officer (90C)
Medical Center, 3701 Loop Road East
Tuscaloosa, AL 35404

Memorandum 2013-003
July 15, 2013

f. **VHA HCA REVIEW AND APPROVAL (over \$650,000 to \$12.5 million):** I have reviewed the foregoing justification and find it to be complete and accurate to the best of my knowledge and belief and approve for restricting consideration of the Federal Supply Schedule contractors to fewer than the number required by FAR Subpart 8.4

SIGNATURE

DATE

NAME Norbert S. Doyle
Chief Procurement and Logistics Officer
VHA Head of Contracting Activity (HCA)