

ITEM # 24
DATE August 12, 2008

COUNCIL ACTION FORM

SUBJECT: RECOMMENDATION TO REJECT UNIT NO. 7 BIDS FOR CITY OF AMES ELECTRIC SERVICES POWER PLANT NITROGEN OXIDE REDUCTION PROJECT

BACKGROUND:

This project is to furnish and install NO_x reduction equipment on Units 7 and 8 at the Power Plant. The equipment is designed to reduce emissions of nitrogen oxides (NO_x) in keeping with the USEPA Clean Air Interstate Rule (CAIR). **The U.S. Court of Appeals for the District of Columbia recently vacated the CAIR provisions. At this time there are no approved Environmental Protection Agency requirements for NO_x reduction, and no limits which must be attained.**

On July 24, 2008, City Council rejected bids on the Unit No. 8 portion of this contract. It is now appropriate to reject the Unit No. 7 portion of this bid as well. While there are currently no target limits in place for the reduction of NO_x, requirements will probably be established in the future. However, the City does not have knowledge as to when new standards will be established or what they will be. If the City were to continue with the current project for NO_x reduction and the EPA were to institute more rigid standards, the funds spent on this project could be wasted.

It is therefore the recommendation of Staff that this project be closed until new emissions standards for NO_x reduction are brought forth.

ALTERNATIVES:

1. Reject the Unit No. 7 bids for the Electric Services Department Power Plant Nitrogen Oxide Control Project.
2. Continue to evaluate the bids for other options.

MANAGER'S RECOMMENDED ACTION:

It is essential for the Power Plant to maintain a positive environmental record in the community and to be in compliance with EPA mandated rules and regulations. However, given the recent court ruling, the City has no targets for NO_x reduction and no firm standards against which to design and engineer these important projects.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, rejecting the Unit No. 7 bids for the Electric Services Department Power Plant Nitrogen Oxide Control Project.