

COUNCIL ACTION FORM

SUBJECT: RENEWAL OF CONTRACT FOR POWER PLANT ASH HAULING SERVICES

BACKGROUND:

This contract is for the coal combustion by-product beneficial re-use or disposal from the City of Ames ash pond to an Iowa DNR approved and permitted beneficial re-use site or landfill disposal site. Bottom ash comes from the Power Plant coal fired boilers and it is hydraulically transported to the ash pond east of the Power Plant. The ash pond serves as a settling pond where the ash falls to the bottom and relatively clean water can be recycled to the Power Plant to transport additional ash from the bottom of the boilers. The ash itself is composed of inorganic materials in the coal and in the refuse derived fuel (RDF) that do not burn and must be removed from the boilers to allow continual operation.

Over time the ash builds up on the bottom of the pond and reduces the available capacity of the pond. This ash must be periodically removed via excavating or dredging, allowed to dewater, and then transported off-site for disposal. Moving the ash off-site allows additional ash to be dredged from the pond and maintain the working capacity of the ash pond.

On September 14, 2010, City Council awarded a contract to Biosolids Management Group, Inc., Boone, Iowa, (BMG, Inc.) in the amount not to exceed \$1,160,000 for beneficial use and disposal. **The initial contract term was for the period of one year or until such time as the budgeted funds of \$1,160,000 were exhausted. In this case, the funds will soon be exhausted. Included in the original proposal were terms for four optional twelve-month renewal periods.** Council should note that when this contract was awarded at the September 14, 2010 meeting, it was for Alternative #1, which was for beneficial re-use and disposal. There was a second alternative for disposal of material at a landfill, which staff determined in the original award would not be utilized for this contract. **However, when the Iowa DNR approved the beneficial re-use of the bottom ash, they required the landfill disposal of all the rejected screened material. This required a change order to the original contract to include a provision for the landfill disposal of that material.**

BMG, Inc. has provided the City with excellent service this past year, and Electric Services staff recommends renewing the agreement for FY 2011/2012. It should be noted that this renewal period will run from August 24, 2011 through June 30, 2012. This will enable this and future renewals to coincide with the City's fiscal year. The FY 2011/2012 operating budget includes \$1,000,000 (plus some potential roll-over funding from the previous fiscal year) for ash hauling. Payments would be calculated on unit prices proposed for these services. If the budgeted amount is exhausted again before the next deadline, staff will evaluate at that time to either call the contract complete until the next fiscal year or present a change order to Council for approval for increased funding. **This contract includes the hauling of ash for beneficial re-use, as well as the landfilling of rejected screen material. Costs per ton for the hauling and**

disposal have stayed at \$45.60 for re-use and \$50.84 for landfilling of screen rejects. The fuel escalators for rack prices above \$3.00 per gallon for diesel have also stayed the same.

ALTERNATIVES:

1. Approve the contract renewal with Biosolids Management Group, Inc., Boone, IA, for the coal combustion by-product hauling for beneficial use, from August 24, 2011, through June 30, 2012. Actual payments will be calculated on unit prices proposed for these services in an amount not to exceed \$1,000,000.
2. Do not renew the agreement and instruct staff to seek new competitive proposals.

MANAGER'S RECOMMENDED ACTION:

It is essential for the Power Plant to receive ash hauling services at the lowest possible cost consistent with the quality required to maintain Plant operations. It is also vital to lock in prices and accountability with key contractors. By choosing alternative No. 1, the Plant will be able to continue achieving these goals.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, approving the contract renewal with Biosolids Management Group, Inc., Boone, IA, for the coal combustion by-product hauling for beneficial use, from August 24, 2011, through June 30, 2012. Actual payments will be calculated on unit prices proposed for these services in an amount not to exceed \$1,000,000.