

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 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 the removal of ash for a one year period. Included in the original proposal were terms for four optional twelve-month renewal periods. 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. It is worth noting that in the first extension of this contract, the renewal term was extended to the end of FY 2011/12.

The FY 2012/13 operating budget includes \$1,000,000 for ash hauling. Payments would be calculated on unit prices proposed and actual services performed, up the available budget amount.

The Department of Natural Resources requires the contractor to landfill any product that cannot be reused. Therefore, there are two rates reflected in the contract: (1) \$45.60 per ton for re-use of the material by the contractor, and (2) \$50.84 per ton for material required to be landfilled by the contractor. In addition, the contract contains a fuel escalator for rack prices above \$3.00 per gallon for diesel fuel. **It should be noted that there is no increase in either the hauling rates or the fuel escalator for FY 2012/13.**

ALTERNATIVES:

1. Approve the contract renewal with Biosolids Management Group, Inc., Boone, IA, for removal and hauling of ash from July 1, 2012, through June 30, 2013. 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.

Staff has been extremely satisfied with the performance of this vendor over the past two years. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.