

COUNCIL ACTION FORM

**SUBJECT: ASBESTOS MAINTENANCE SERVICES FOR POWER PLANT –
CONTRACT RENEWAL**

BACKGROUND:

This contract involves the removal and proper disposal of asbestos insulation at the City's Power Plant, including Units 5 and 6 (both retired) and operating Units 7 and 8. The two retired units and Unit 7 are primarily insulated with asbestos type insulation. Unit 8 is considered "asbestos free" excluding some gasket material and steam pipe insulation around the turbine. In addition, there is other equipment and piping located in the Power Plant that has been insulated with asbestos type insulation.

The Power Plant benefits from having a service contract with a company that provides both routine and emergency asbestos remediation services. These services include removal and disposal of asbestos containing insulation, as well as the remediation/encapsulation of identified areas or areas where an encapsulated surface is damaged. Asbestos must be removed and disposed of per State and Federal regulations before retired equipment can be physically removed. In addition, asbestos should be removed or encapsulated where employees will be working.

On May 13, 2014, the City Council awarded a contract to ESA, Inc., N. Sioux City, SD, for this asbestos maintenance services contract. These services were to be furnished as requested from July 1, 2014, through June 30, 2015, in an amount not-to-exceed \$75,000.

This contract included the option for the City to renew in one-year increments for up to four additional years. Staff recommends renewing the agreement for FY 2015/16. There is a rate provision under this contract that increases rates at fixed percentages above the previous fiscal year's contracted rates at time of renewal. The yearly rate increase is 2% for both Labor and Travel & Subsistence. This increase is in accordance with the contract terms initially established. **This is the first renewal out of four maximum.**

Staff recommends that these services continue to be outsourced on an annual renewable contract basis. The benefits of having a contract for these services in place include the following:

- 1) Consistency of work and quality from a single contractor.
- 2) Reduction in the City's exposure to market forces regarding prices and availability for labor, travel, and supplies in preparation for a scheduled outage.
- 3) Rapid contractor mobilization to start emergency repairs, thus reducing generation downtime.
- 4) Saved City staff time obtaining quotes, evaluating bids and preparing

specifications and other procurement documentation.

The approved FY2015/16 Power Plant operating budget includes \$150,000 for asbestos removal. Invoices will be based on contract rates for time and materials for services actually received. **The anticipated expenditures for this service are expected to increase from \$75,000 per year to \$150,000 per year because there will be increased abatement in the Power Plant for the removal of floor tile and piping as well as for cooling tower demolition.**

ALTERNATIVES:

1. Approve the contract renewal with ESA, Inc., North Sioux City, SD, for the asbestos maintenance services contract for the City's Power Plant for the one-year period from July 1, 2015, through June 30, 2016; and approve the company's contract and bond. Total work in FY 2015/16 shall be an amount not to exceed \$150,000.
2. Do not renew the agreement and direct staff to seek new competitive bids.

MANAGER'S RECOMMENDED ACTION:

Asbestos removal and encapsulation will be an on-going cost, since most of the old equipment at the Power Plant was insulated with asbestos. This contract establishes rates for service and provides for guaranteed availability, thereby setting in place known timing and rates. Funds will be expended only as work is required and in accordance with approved invoices.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative #1 as stated above.