

ITEM # 13
DATE: January 8, 2008

COUNCIL ACTION FORM

SUBJECT: AWARD OF CONTRACT FOR NOX REDUCTION ENGINEERING SERVICES FOR UNIT NO. 7 AND UNIT NO. 8 AT THE POWER PLANT

BACKGROUND:

This contract is for engineering services for the Power Plant NOx Reduction Project. New EPA rules require lower NOx (nitrogen oxide) emissions on boilers No. 7 and No. 8. This contract is for the outside engineering services needed for work on both units. NOx forms when fuel is burned at high temperatures as in an internal combustion engine or a coal fired power plant. Reducing emissions of NOx is a component of the Environmental Protection Agency's strategy for cleaner air. Plans by the EPA to reduce NOx emissions by 2009 are being finalized. The NOx from the City's Power Plant can be lowered by reducing the combustion temperature by means of redesigned burners and modifications to combustion air delivery systems. The engineering services provided by this contract will detail the equipment cost and specific design work necessary to complete the project.

On November 15, 2007, staff received competitive sealed proposals from four firms. The proposals were initially reviewed by the Electric Services Staff to determine which proposals were the most competitive based on scheduling & availability, experience in this particular field of work, estimated costs, and any other service related capabilities. All four firms submitting proposals have worked for the City on prior projects and several have worked on multiple projects.

The firms submitting proposals were:

BIDDERS
Burns & McDonnell, Kansas City, MO
Sega Inc., Stilwell, KS
Stanley Consultants, Muscatine, IA
Utility Engineering, Minneapolis, MN

After detailed review of the four proposals, two firms were identified as being clearly more competitive. The two finalists were then invited to give oral presentations to staff. Following the oral presentations a committee scored the two finalists based on the entirety of their proposals, both written and oral. The scores were:

BIDDERS	SCORE
Burns & McDonnell, Kansas City, MO	250
Sega Inc., Stilwell, KS	226.7

Based on the information and backgrounds provided, Electric Services has reviewed the proposal process and determined that the analysis accurately represents the work to be performed under this contract. Therefore staff recommends that a contract be awarded to Burns & McDonnell, Kansas City, MO, in the amount of \$149,000 based on time and materials, for engineering services for this project. Burns & McDonnell has a long history of work for the City of Ames Electric Services Department and has completed numerous jobs at other utilities similar to the City's project involved in this proposal process. It should be noted that Burns & McDonnell was also the lowest cost proposal by a significant amount as well.

This project is budgeted for \$4,500,000 in NOx capital over three fiscal years. The approved FY 2007/08 CIP budget also includes \$300,000 for engineering services. In addition to the NOx reduction engineering, we anticipate requiring engineering services for environmental permitting and control systems modifications. We anticipate these services to be performed by firms other than Burns & McDonnell.

Staff believes it will be fiscally advantageous to complete burner installation on Units 7 and 8 as soon as possible as we will be responsible for purchasing allowances for excess NOx emissions beginning on January 1, 2009. Our goal is to manage this project so that we will achieve a successful burner replacement on Unit 8 in fall 2008 and on Unit 7 in spring 2009.

ALTERNATIVES:

1. Award a contract to Burns & McDonnell, Kansas City, MO, for NOx reduction engineering services, based on time and materials in an amount of \$149,000.
2. Do not award a contract at this time.

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. It is also imperative to achieve this in the most cost effective way possible. By choosing alternative No. 1, the Plant would be able to achieve these goals. It may not be possible to complete all the work necessary in the allotted time due to great demands for materials and long lead-times with suppliers. As such, the Plant may need to purchase additional NOx allowances in the short term while modifications are being made. By moving forward at this time, we will maximize our opportunity to reduce NOx emissions before new NOx limits come into place and minimize our exposure to purchasing additional NOx allowances on the open market.

The recommended firm of Burns & McDonnell, in addition to be rated the most qualified was also the most cost-effective proposal.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, awarding a contract to Burns & McDonnell, Kansas City, MO, for NOx reduction engineering services, based on time and materials in an estimated amount of \$149,000.