

ITEM #:	40
DATE:	07-14-26
DEPT:	ELEC

COUNCIL ACTION FORM

SUBJECT: ENGINEERING SERVICES FOR RECIPROCATING INTERNAL COMBUSTION ENGINE (RICE) ELECTRIC GENERATION FACILITY - CHANGE ORDER NO. 1

BACKGROUND:

On October 22, 2025, a contract was awarded to Sargent & Lundy LLC (S&L) to serve as the Electric Utility's consultant to design a generation plant to meet the short- and long-term capacity obligations while also considering operational costs and characteristics. Based on the detail scope of services and the submitted rates and hours within Sargent & Lundy's proposal, the awarded amount for the Sargent & Lundy contract was \$6,885,000.

It is important to note that invoices have been and will continue to be paid according to the rates provided, for actual time spent. The majority of this contract will be expended across FY 2025/26 and FY 2026/27 as design and engineering is performed.

THIS ACTION:

As engineering has progressed, Electric staff has identified additional work it would like to add to the scope for Sargent & Lundy to perform. These additional items are performed during the Introduction Phase and Permitting Phase of the project. **This scope addition will result in a contract cost increase of \$205,300.**

The additional tasks are outlined as follows:

Introduction Phase

Due to the substantial difference between what was previously estimated for the total project and the base cost estimate provided by S&L, Electric staff requested that S&L provide additional cost estimating services to support final definition of the project. The additional services included cost estimates for the Base Option in 2024 dollars, a simplified layout option, and an additional Electric Administration building.

Additional estimating services included the development of a summary for pricing escalations, a high-level analysis of expected escalations for other technologies including simple cycle and combined cycle, and participation in multiple additional meetings to support supplemental cost estimating discussions. In addition, S&L prepared an emissions control systems memo to help support decisions on the City's selection of a system for the project, which was not included in the Introduction Phase base scope.

Permitting Phase

While S&L's original proposal included support for standard permits typically required for a RICE project, those assumptions were based on the generalized project information available

at the time. As the project permit matrix detail was developed and project-specific design and operational details were more defined, several permits and approvals were identified that were not included in the original scope.

These additional permits included:

Title V Operating Permit

S&L will prepare the Title V air operating permit application, including all applicable application forms and supporting documentation. The City will be responsible for regulatory coordination and submittal of the application.

IOWA DIAL Aboveground Storage Tank Notification/Registration

S&L will prepare application forms (including providing technical inputs) for the Department of Inspections, Appeals, and Licensing (DIAL) Aboveground Storage Tank Notification/Registration, including tank design and location, leak detection details, and piping configuration. The City will be responsible for leading coordination and submittal to DIAL. Following submittal, S&L will provide responses to technical comments as needed.

City of Ames Industrial Pretreatment Permit

S&L will provide technical/engineering inputs required to support the City of Ames Industrial Pretreatment Permit application form for wastewater disposal to the City of Ames Wastewater treatment facility.

City of Ames Post-Construction Stormwater Management Plan, Maintenance Plan, and Elevation Certificate

S&L will develop a post-construction Stormwater Management Plan and associated Maintenance Plan for the project in accordance with City of Ames Code Chapter 5B requirements. This will include formatting the project's hydrologic and hydraulic calculations into a Drainage Report, providing a description of routine and long-term maintenance for stormwater BMPs, and completing an Elevation Certificate signed by a professional engineer.

Generator Interconnection Agreement (GIA)

S&L's original proposal included services for Midwest Independent System Operator (MISO) interconnect support including a study, report, filings and presentation to MISO staff and committees. The initial approach to the interconnect assumed that Unit 7 would be retired once the new generation plant is operational. Since the utility now plans to retain Unit 7 for a longer period of time to serve as a capacity resource, a different application route offered by MISO must be used. The revisions to approach have increased the level of effort to complete the necessary modelling, report and application.

FUNDING FOR THIS ACTION:

These items are in addition to the original scope initially agreed to with Sargent & Lundy and will add to the overall project budget. However, favorable priced bids for the project's Generator Step-Up transformer have provided a projected savings of almost \$1 million when compared to the estimate. Therefore, some of those savings will be used to fund this increase.

It should be remembered that the initial costs for the total project will come from the available balance in the Electric Fund, but the Fund will be reimbursed when bonds are issued for the

entire generation project.

ALTERNATIVES:

1. Approve change order No. 1 to Sargent & Lundy LLC, Chicago, Illinois, for additional Engineering Services for the new Ames Municipal Energy Center, in the amount not-to-exceed \$205,300.
2. Direct staff to make modifications to the proposed change order.
3. Do not award a change order at this time.

CITY MANAGER'S RECOMMENDED ACTION:

The required additional engineering services from S&L will ensure success in building a generation plant that meets the short- and long-term capacity obligations currently facing the utility and continue to move the design of the project forward. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No.1 as stated above.