



City of Grand Island

Tuesday, January 25, 2005

Council Session

Item G4

**#2005-21 - Approving Bid Award - Fuel Oil Facilities Upgrade
Project - Burdick and Platte Generating Stations**

Staff Contact: Gary R. Mader;Dale Shotkoski

Council Agenda Memo

From: Gary R. Mader, Utilities Director
Dale Shotkoski, Asst. City Attorney/Purchasing

Meeting: January 25, 2005

Subject: Fuel Oil Area Upgrades

Item #'s: G-4

Presenter(s): Gary R. Mader, Utilities Director

Background

Platte Generating Station fueling facilities currently consist of a 500,000 gallon No. 2 fuel bulk storage tank surrounded by an earthen berm, a locomotive fueling area, an above ground gasoline tank and two smaller above ground No. 1 diesel fuel tanks. C.W. Burdick Station fueling facilities consist of a No. 6 fuel oil bulk storage area and a No. 2 fuel oil bulk storage area, both of which are surrounded by earthen berms; and two smaller above ground diesel and gasoline tanks. The bulk oil storage areas at both facilities have been in place for over 25 years and were built in accordance with all state and federal regulations at the time. New federal regulations are now in place.

In April of 2004, the Utilities Department solicited proposals from five engineering firms to review federal regulations concerning fuel storage and handling areas. New Federal regulations for Oil Pollution Prevention [40 CFR Part 112] require that the containment around bulk oil storage facilities and associated loading areas be "sufficiently impervious to contain oil". In addition, because the total fuel capacity of the tanks at the C.W. Burdick Station is over 1,000,000 gallons, the regulations require an analysis of the consequences of a worst-case catastrophic release of oil on downstream users and sensitive environments.

Anticipated activities necessary to meet the Federal regulations included:

- ? Evaluation of the oil containment and fuel transfer areas at all bulk oil storage areas.
- ? Design of necessary upgrades for the earthen berms and associated fuel transfer areas at both plants.
- ? Evaluation and design of a new vehicle fueling facility at PGS that would eliminate the existing three separate fueling areas.
- ? Evaluation of a worst case release of oil from C.W. Burdick Station.

Black & Veatch was selected from these firms and awarded an engineering contract with a not-to-exceed price of \$59,600.

Black & Veatch reviewed and evaluated the new regulations and prepared plans, specifications and bid documents for the required oil storage and fueling facilities upgrade project at PGS and Burdick. The following work was found to be necessary to bring the facilities into compliance with federal regulations for the prevention and containment of oil spills (40 CFR Part 112) and for oil dispensing equipment (NFPA 30A):

Platte Generating Station:

- Consolidate vehicle-fueling facilities. Furnish and install new fuel dispensing equipment at a new concrete paved area near the existing bulk No. 2 oil receiving area.
- Regrade areas adjacent to existing bulk No. 2 oil receiving area and construct synthetically lined containment, sump, sump pump, discharge line and discharge area.
- Modify locomotive fueling facilities to remove existing below grade pipe from service and add provisions to collect and direct potential spills to the bulk No. 2 oil storage containment area. Add new fuel dispensing equipment for the locomotive.
- Reconstruct the bulk No. 2 oil receiving containment to include the new vehicle fueling area containment and a synthetic liner, sump, sump pump, discharge line, and discharge area.
- Remove temporary earth ramps at the bulk No. 2 oil storage containment area.
- Regrade bulk No. 2 oil containment area, install synthetic impermeable liner, construct sump, install sump pump discharge line and discharge area.

Burdick Generating Station:

- Reconstruct the No. 2 fuel oil receiving area to include a concrete paved, curbed containment and valved outlet drain line.
- Reconstruct the No. 6 and No. 2 oil bulk storage containment areas including removing interior earthen berms, regrading and repairing existing earthen berms.
- Install a synthetic impermeable liner, sump, sump pump, discharge line and discharge area at the No. 2 oil bulk storage containment area.
- Remove existing below-grade fuel oil piping between the No. 2 oil bulk storage tank and No. 2 oil pump house.
- Seal and isolate abandoned pipe systems at existing concrete vaults and manholes by filling with flowable fly ash cement fill.

Discussion

In September of 2004, the specifications developed for the project by Black & Veatch were issued for bid. The engineer's estimate, based on experience with past similar projects, was \$600,000. The bid was advertised, and specifications sent to three local contractors and the local plan service. One bid was received, from Diamond Engineering for \$833,000. Because of only receiving one bid, and the difference between the engineer's estimate and the bid received, City staff recommended in October of 2004, that Council declare Diamond the sole source for this project and authorize staff to negotiate a more favorable contract with Diamond.

Discussions with Diamond included a more relaxed schedule, design or scope changes that would allow the project to be completed more efficiently, or to reduce areas of risk or unforeseen problems. During the discussions, it appeared that Diamond was not doing the majority of the work on the project, but had obtained subcontractors for earthwork, liner installation, and mechanical and electrical work. The result of this appears that any reduction in price would be the result of trying to obtain numerous smaller changes from several sources, rather than a larger amount from the prime contractor. Diamond also indicated that during the time since the original bid, steel and liner materials had increased in price. As a result of the negotiations, Diamond responded by lowering their bid amount by \$52,000 contingent on the following modifications to the original scope:

- Eliminate the tank tie down anchors for Burdick bulk tank No's. 1 and 2.
- City will pour the flowable fill at the existing vaults and manholes in the No. 6 fuel area at Burdick and remove existing vehicle fueling tanks, piping and electrical at PGS.

Other scope changes were considered, but would have only resulted in shifting cost from Diamond to other contractors, as the work would have still needed to be performed, and the project cost would not significantly change or could even increase as time proceeds.

The following additional options were considered;

1. Delay or cancel the project: All work is required by regulatory agencies and failure to comply would result in enforcement action. A delay or spreading the work out would reduce the financial impact for the current year, but would probably increase the total project cost.
2. Rebid the project: We do not know of any other interest in the project. Hooker Brothers was the only other contractor who looked at the project, and they are a subcontractor to Diamond. A rebid might result in a lower price, but could also result in a higher bid or no bid.
3. Issue multiple contracts for the various areas of the project: This would involve writing specifications and awarding separate contracts for the earthwork, liner, and mechanical and electrical scopes. Essentially, Diamond has already done this as a part of their bid. It would require paying B&V for the additional engineering services not included in the original scope of the project.

4. Awarding the contract to Diamond: the recommended option.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve the award of the Fuel Oil Facilities Upgrade Project.
2. Refer the issue to a Committee.
3. Postpone the issue to future date.
4. Take no action on the issue.

Recommendation

Based on the lack of response from other contractors, a rebid of the project could result in either the same or higher bid or no bids at all. Additionally, this work must be completed to comply with federal and state regulations. Therefore, City Administration recommends that Council award the Fuel Oil Facilities Upgrade Project Contract to Diamond Engineering, of Grand Island; with the reduced scope, for a total contract amount of \$781,000.

Sample Motion

Motion to approve the award of the Fuel Oil Facilities Upgrade Project Contract to Diamond Engineering.

Purchasing Division of Legal Department
INTEROFFICE MEMORANDUM



Dale M. Shotkoski, Assistant City Attorney

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Better Tomorrow, Today*

BID OPENING

BID OPENING DATE: August 31, 2004 at 11:00 a.m.

FOR: Fuel Oil Facilities Upgrades General Construction

DEPARTMENT: Utilities

ESTIMATE: \$600,000.00

FUND/ACCOUNT: E520

PUBLICATION DATE: August 5, 2004

NO. POTENTIAL BIDDERS: 4

SUMMARY

Bidder: Diamond Engineering Co.
Grand Island, NE

Bid Security: Travelers Casualty & Surety

Exceptions: Noted

Bid Price: \$833,000.00 (Tax Included)

cc: Gary Mader, Utilities Director
Shelly Schnakenberg, Utilities Senior Sec.
Gary Greer, City Administrator
Laura Berthelsen, Legal Assistant

Bob Smith, Assistant Utilities Director
Pat Gericke, Utilities Admin. Secretary
Dale Shotkoski, Purchasing Agent

P933

RESOLUTION 2005-21

WHEREAS, the City of Grand Island invited sealed bids for Fuel Oil Facilities Upgrades General Construction at Burdick Station and Platte Generation Station, according to plans and specifications on file at the Platte Generating Station; and

WHEREAS, on August 31, 2004, one bid was received, opened and reviewed; and

WHEREAS, the Diamond Engineering Company of Grand Island, Nebraska, submitted a bid in accordance with the terms of the advertisement of bids and plans and specifications and all other statutory requirements contained therein, such bid being in the amount of \$833,000; and

WHEREAS, on September 28, 2004, by Resolution 2004-237, the City Council for the City of Grand Island approved the Diamond Engineering Company as the sole source for such contract and authorized negotiations to perform such work; and

WHEREAS, as a result of negotiations with the Diamond Engineering Company, it was decided to reduce the scope of work to be completed by the contractor, and the bid price was reduced to \$781,000.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the negotiated bid of the Diamond Engineering Company of Grand Island, Nebraska, in the amount of \$781,000 for fuel oil facilities upgrades general construction at Burdick Station and Platte Generating Station is hereby approved as the lowest responsible bid.

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Adopted by the City Council of the City of Grand Island, Nebraska, January 25, 2005.

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
January 20, 2005	☐ City Attorney