



City of Grand Island

Monday, March 26, 2012

Council Session

Item G8

#2012-78 - Approving Kiewit Power Engineers for the Air Quality Control System Engineering Services at Platte Generating Station

Staff Contact: Tim Luchsinger

Council Agenda Memo

From: Timothy Luchsinger, Utilities Director
Jason Eley, Assistant City Attorney/Purchasing

Meeting: March 26, 2012

Subject: Air Quality Control System Engineering Services at PGS

Item #'s: G-8

Presenter(s): Timothy Luchsinger, Utilities Director

Background

On December 21, 2011, EPA released the Mercury and Air Toxics Standards (MATS), requiring the maximum achievable control technology for mercury and other hazardous pollutants from electric generating units. The final rule details will be published by March, 2012, with a compliance date of March, 2015, although an additional one year for compliance may be granted by individual states. This rule is independent from the CSAPR proceedings.

To achieve long-term compliance for MATS, it is anticipated that GIUD will need to install a fabric filter, carbon injection system, and, depending on the amount of reduction needed, either a dry sorbent injection or a dry scrubber at Platte Generating Station, along with associated by-product removal systems and disposal sites, in the next three to four years. It is estimated that these modifications will cost the utility approximately \$35 Million and take 3 to 5 years for financing, design, and construction. Although this equipment will result in additional operating costs that may affect rates, the City has proceeded with refinancing of current electric bonds to avoid rate impacts due to debt service and capital expenditures. Current plans are to complete this installation during the last quarter of 2014 to coincide with a scheduled plant maintenance outage. This will provide a margin for the implementation of the system and minimize plant downtime.

For large capital improvement projects of this type, the Department has traditionally used the Design-Build approach, where proposals are solicited for a consulting engineer, who then proceeds with detailed design and developing multiple specifications for bids to acquire equipment and contractors to complete the project. This type of approach can achieve more control of the details of the project, but can also take more time to complete and final project costs are not known until the final contract is awarded. A project approach being used more by utilities for capital projects is the Engineer-Procure-

Construct (EPC) method. Specifications are developed emphasizing final system performance and operating parameters instead of technical features, and consortiums of engineers, suppliers, and construction contractors then team together to provide bids for a total system package. The project is awarded to the lowest compliant bid, normally with provisions of penalties for not meeting guarantees or incentives for exceeding requirements. The EPC approach is recommended by the Department for the air emission control equipment project as we do not have a preference for the various air emission control technologies, and this method will allow for the market to determine the most cost effective and timely implementation. Project costs will also be known early and enable financing methods to be determined to minimize rate impacts to customers.

Utilities and other entities performing EPC projects normally retain the services of an Owner's Engineer to develop the EPC specifications and provide third party project administrative functions. Utilities staff drafted project requirements for an Owner's Engineer and solicited proposals in accordance with City procurement procedures. The services for the Owner's Engineer included the following.

- A high level determination of emission reduction limits and system components.
- Preparation of specifications for bids.
- Evaluation of bids.
- Financial analysis and preparation of pro-formas for bond underwriters.
- Assistance in air emission permitting with EPA and NDEQ.
- Final system testing and determination of compliance with contract conditions.

Discussion

Requests for Proposals were advertised and proposal packages were received by the following.

- Kiewit Power Engineers, Lenexa, KS
- Lutz, Daily, & Brain, Overland Park, KS
- Stanley Consultants, Muscatine, IA
- HDR, Omaha, NE
- Sargent & Lundy, Chicago, IL

Department management and engineering staff review the proposals based on factors of experience, qualifications, and costs as defined in the RFP. Respondents were required to provide not-to-exceed pricing for each task, with payments made on actual costs up to that amount. Proposals were also to be based on a system requiring dry sorbent technology, with an optional price of a dry scrubber is determined to be needed, as a dry scrubber will require more extensive specification and contract compliance evaluation. One condition included in the RFP was that the Owner's Engineer would not be allowed to be part of the EPC consortium. Some engineering firms declined to submit proposals as their preference was to be included in the EPC solicitation; some indicated that they would pursue EPC roles if not selected as the Owner's Engineer. The review team's

consensus recommendation is to award the Owner's Engineer contract to Kiewit Power Engineers for a base not-to-exceed cost of \$349,040.00 for a dry sorbent system and an additional not-to-exceed cost of \$82,992.00 (\$432,032.00), if a dry scrubber is required.

Alternatives

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

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council award the contract for Air Quality Control System Engineering Services at Platte Generating Station to Kiewit Power Engineers of Lenexa, Kansas with a total not to exceed cost in the amount of \$349,040.00 for a dry sorbent system and an additional not-to-exceed cost of \$82,992.00 (\$432,032.00), if a dry scrubber is required.

Sample Motion

Move to approve the contract for Air Quality Control System Engineering Services at Platte Generating Station to Kiewit Power Engineers with a total not to exceed cost in the amount of \$349,040.00 for a dry sorbent system and an additional not-to-exceed cost of \$82,992.00 (\$432,032.00), if a dry scrubber is required.



Jason Eley, Purchasing Agent

*Working Together for a
Better Tomorrow, Today*

**REQUEST FOR PROPOSAL
FOR
AIR QUALITY CONTROL SYSTEM ENGINEERING SERVICES**

RFP DUE DATE: March 13, 2012 at 4:15 p.m.
DEPARTMENT: Utilities
PUBLICATION DATE: February 16, 2012
NO. POTENTIAL BIDDERS: 3

SUMMARY OF PROPOSALS RECEIVED

Stanley Consultants, Inc.
Muscatine, IA

Sargent & Lundy
Chicago, IL

Lutz, Daily & Brain, LLC
Overland Park, KS

Kiewit Power Engineers Co.
Lenexa, KS

HDR
Omaha, NE

cc: Tim Luchsinger, Utilities Director
Mary Lou Brown, City Administrator
Jaye, Monter, Finance Director

Bob Smith, Assist. Utilities Director
Pat Gericke, Assist. Utilities Admin.
Jason Eley, Purchasing Agent

P1536

RESOLUTION 2012-78

WHEREAS, the City of Grand Island requested proposals for Engineering Services for the Air Quality Control System at Platte Generating Station, according to plans and specifications on file with the Utilities Department; and

WHEREAS, on March 13, 2012, proposals were received, opened and reviewed; and

WHEREAS, Kiewit Power Engineers of Lenexa, Kansas, submitted a proposal in accordance with the terms of the advertisement for proposals and plans and specifications and all other statutory requirements contained therein, such proposal being in the amount of \$349,040.00 for a dry sorbent system and an additional not-to-exceed cost of \$82,992.00 (\$432,032.00), if a dry scrubber is required.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the proposal of Kiewit Power Engineers of Lenexa, Kansas in the amount of \$349,040.00 for a dry sorbent system and an additional not-to-exceed cost of \$82,992.00 (\$432,032.00), if a dry scrubber is required for Engineering Services for the Air Quality Control System at Platte Generating Station is hereby approved.

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Adopted by the City Council of the City of Grand Island, Nebraska, March 26, 2012.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk