

Environment Committee

Meeting date: April 22, 2014

For the Metropolitan Council meeting of May 14, 2014

Subject: Authorization to Amend and Extend Operations Contract No. C-3439 with New England Fertilizer Company (NEFCO) for the Heat Drying Facilities at the Blue Lake Wastewater Treatment Plant

District(s), Member(s): All

Policy/Legal Reference: Council Policy 3-3; Expenditures

Staff Prepared/Presented: Mike Mereness, 651-602-8296

Division/Department: MCES c/o Leisa Thompson, 651-602-8101

Proposed Action

That the Metropolitan Council authorizes the Regional Administrator to execute an amendment and a five-year extension to Operations Contract C-3439 with the New England Fertilizer Company (NEFCO) to provide operations, management and guarantees for the heat-drying facilities at the Blue Lake Treatment Plant.

Background

NEFCO was hired to design, build and operate the solids heat drying facility for the Blue Lake plant which has operated successfully since December 2000. The operations contract, which includes financial guarantees for the operation and marketing of the biosolids end product, was last renewed for a five-year term in August 2009 and will be expiring later this year. The Council has the option of renewing for another five-year term or terminating the contract.

MCES evaluated not renewing the contract and taking over operations and marketing themselves. The operations contract, however, includes financial guarantees that NEFCO will be responsible financially for the repair or replacement of any failed equipment and other assets necessary for the operations in the heat drying facility. MCES contracted with Springsted Inc., the Council's financial advisor, to perform an analysis evaluating the worth, in present value dollars, for this asset guarantee. Based upon this analysis, the present value of this asset guarantee is in the range of \$6.2 to \$7.8 million. On a risk basis, a continuation of NEFCO management for the heat drying facilities provided substantially less risk to MCES because the heat drying facilities have no redundancy for the major equipment and there are many variables associated with marketing the end product.

Staff has concluded a renewal of the NEFCO operations contract is in the Council's best interest based upon economics, risk assessment and other factors. NEFCO will continue with the related "Comp Team Arrangement" utilizing MCES operation and maintenance staff.

Rationale

Contract amendments exceeding \$500,000 require Council authorization.

Funding

The NEFCO contract value is approximately \$2,700,000 annually and is budgeted in the Blue Lake WWTP's annual operating budget.

Known Support / Opposition

None known.