

CITY CLERK MEMORANDUM
16-08

DATE: March 28, 2016
TO: Honorable Mayor and Members of City Council
FROM: Mary Beth Hickman, City Clerk
SUBJECT: Additional Information for March 29, 2016 City Council Special Meeting

City Manager Mark Watson requested that the attached information pertaining to the extension of the water services contract with the Department of Energy (DOE) be distributed prior to the special meeting.


Mary Beth Hickman
Mary Beth Hickman

Attachments:

cc: Mark S. Watson, City Manager
Kenneth R. Krushenski, City Attorney
Department Directors
The Oak Ridger
Oak Ridge Today
The Knoxville News Sentinel
BBB Communications

CITY OF OAK RIDGE



Office of the City Manager

POST OFFICE BOX 1 • OAK RIDGE, TENNESSEE 37831-0001

March 17, 2016

Mr. Don Thress, Jr.
Acting Manager
Oak Ridge Office
U.S. Department of Energy
P.O. Box 2001
Oak Ridge, TN 37831

Dear Mr. Thress:

On behalf of the City of Oak Ridge, I wish to follow-up on our conversations of March 16, 2016 regarding the extension of the DOE/Oak Ridge water contract. Thank you for meeting with Shira McWaters, Public Works Director, and myself to discuss our request to extend the contract by 18 months and the DOE counter proposal of 3 months.

As I indicated to you, the City of Oak Ridge expresses its open concern for future major capital expenditures on the joint water treatment facilities. The City of Oak Ridge, as your contract provider, believes a cost/benefit analysis and review of the facilities are in order. Based on recent findings of leaks in the underground sub-base and ground shifting on the water treatment plant site, the City needs time to further examine these potentially large problems to not only the DOE complex, but the City of Oak Ridge itself.

The City of Oak Ridge proposes this contract be extended for 12 months as of April 1, 2016. This will allow sufficient time for review of facility conditions and develop a prioritized specific capital improvement program for DOE. This will provide a clear path forward for an anticipated long term contract at the end of this term.

A key decision of this study will be whether DOE/Oak Ridge needs to prioritize funding/construction of a new smaller water plant facility or continue to invest in the existing 70-year-old facility. Attached to this letter is schedule calendar of the anticipated benchmarks. Assuming concurrence, the City will begin this process immediately.

There has been considerable discussion on the "fair share" of costs by DOE. The City of Oak Ridge understands and refers to the previous discussed levels of Operation and Maintenance as recognized by DOE and City staffs when reviewing rates. The letter dated January 27, 2016 to Mr. Thress outlined these costs for a fixed amount on water purchase for up to 1,619M gallons, which represents a 3-year peak rolling average. **The City proposes that the O & M charges will be set at \$2,151,533 for the coming 12 months. This represents a lowering of costs to DOE from a 53% participation rate to a 50% participation rate, and recognizes your efforts to reduce leaks and consumption within DOE areas.**

During this 12-month period, the City has identified the need to move forward on two projects: (1) the "uncrossing" of the raw water lines to the plant (behind New Hope Center) and (2) the elimination of a chlorine gas tank system at the plant. **During the next 12 months. The City proposes that these two**

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projects proceed as currently planned with the former project to be done at City expense to balance current contractual balances. The latter project, as previously discussed, is to be done at DOE expense in order to eliminate risk associated with said system for purposes of the nuclear complex. The City and DOE have approved a recent MOD to the contract for \$25,000 to update the final designs for the chemical feed project. As of 2:10 p.m. today, the project schedule is ready for bid in 6 weeks and we will obtain TDEC approval while bid is being conducted simultaneously.

In the proposed operational budget, the City has a line item of \$250,000 for small maintenance expenses and routine maintenance. Given the ratio above, **the City suggests continued funding at a rate of \$125,000.**

I believe the recommended approach allows the City to take necessary reviews and assessments of the jointly shared Oak Ridge Water Treatment Plant. The 12-month extension based on the proposed timetable will be able to better insure that federal and local investment in the old plant is being appropriately considered and providing a modern facility that is capable of meeting DOE demands and the community's future needs.

Please note that as soon as the capital issues are resolved, we will work with DOE to develop a long-term contract. Hopefully, the City and DOE can reach this agreement much sooner than the end of 12 months.

After review, please contact my office for any final discussions. Upon concurrence and the document being received from Trae Crowder of DOE, I will schedule a special meeting for an approval by the City Council.

Sincerely yours,



Mark S. Watson
City Manager

cc: John C. Shewairy, Acting Deputy Manager
Janice E. McGinnis, Finance Director, City of Oak Ridge



March 17, 2016

Evaluation of the Existing WTP v. Construction of a New WTP
by Shira McWaters, Public Works Director

A schedule was prepared for the timely completion of an evaluation that compares the associated costs needed to adequately rehabilitate the existing 1940s era 28 million gallon per day (mgd) water treatment plant (WTP) versus the construction of a new 28 mgd plant at a different site. The goal of the evaluation is to determine if the City of Oak Ridge and the Department of Energy should continue to invest long-term in the existing plant or if it will be more beneficial to construct a new WTP. The preliminary schedule, presented herein, is dependent on the timely completion of tasks and therefore is subject to change. The evaluation is based on the following minimum criteria.

Criteria for Evaluation

1. New WTP will be 28 mgd, unless documentation can be provided by the Department of Energy on the anticipated 20 year water consumption usage for their facilities.
2. The evaluation of the existing WTP shall consist of the minimum of the following:
 - Structural – to determine structural integrity of existing associated on-site structures and associated costs to adequately repair/replace to current standards.
 - Electrical – to determine integrity of the existing electrical system, wiring, etc. and associated costs to adequately repair/replace to current standards.
 - Mechanical – to determine the integrity of the existing mechanical piping, valves and associated appurtenances and costs to adequately repair or replace.
 - Treatment – to determine the adequacy of the existing treatment process to meet known up-coming treatment regulations/requirements.
 - Environmental – to determine the potential for slope failure on site that could potentially jeopardize the integrity of the existing WTP.
 - Economic – to determine the long term financial impacts associated with the costs estimated to upgrade/repair the existing WTP and to operate and maintain the plant. Completion of a cost/benefit analysis for comparison to the construction of a new WTP.
 - Timetable of Completion – based on the results of the evaluation a timetable of completion of the needed improvements shall be provided.
3. The evaluation of the construction of a new WTP shall consist of the minimum of the following:

- Treatment – to determine treatment process to meet known up-coming treatment regulations/requirements and associated costs for construction of a new WTP.
- Environmental – to determine site restrictions and/or concerns, if any, and environmental impacts and associated costs for mitigation.
- Existing WTP – to determine the needed short-term improvements/repairs needed to adequately maintain the existing WTP until the new plant is on-line.
- Economic – to determine the long-term financial impacts associated with the costs estimated to construct a new WTP and to operate and maintain the plant over a 20-year cycle. Completion of a cost/benefit analysis for comparison to the rehabilitation/repair of the existing WTP.
- Timetable of Completion – based on the results of the evaluation a timetable of completion for the permitting, design and construction of a new WTP.

Several stakeholders will be involved throughout the evaluation process and shall include at a minimum the following: representatives from the City of Oak Ridge, representatives from the Department of Energy, and representatives from the TDEC.

Estimated Schedule Evaluation of the Existing WTP vs Construction of a New WTP	
Approximate Timetable	Description of Work
March 21 – 31	Preparation of RFQ for evaluation of the existing conditions and cost associated with rehabilitation of existing 28 mgd water treatment plant and evaluation of the construction of a new 28 mgd water treatment plant to be located on a new site that is to be determined.
April 1 – 18	Submit RFQ to up to four (4) qualified firms for preparation of qualification package. Qualification package shall be submitted for review on April 18 th .
April 19 – 29	Review of qualifications and selection of firm.
May 2 – 6	Issuance of intent to award to selected firm.
May 9-13	Collection of needed information to schedule a pre-proposal meeting to meet with stakeholders, establish goals, deliverables and deadlines, and to conduct site visits to the existing water treatment plant and proposed new site locations.
May 16 – 27	Conduct pre-proposal meeting. Selected firm will prepare proposal for review and approval by City of Oak Ridge.
May 31	Receipt of proposal from selected firm.
June 1-10	Review and approval of proposal.
June 13	Recommendation to City Council if cost is over \$25,000.
June 14 -17	Project kick-off meeting with selected firm and stakeholders, issuance of notice to proceed.
June 20 – July 15	25% Project complete. Meeting will be scheduled with stakeholders to discuss progress and preliminary findings.
July 18 – August 12	50% Project complete. Meeting will be scheduled with stakeholders to discuss progress and preliminary findings.
August 15 – September 9	75% Project complete. Meeting will be scheduled with stakeholders to discuss progress and preliminary findings It is anticipated that on or before the 75% milestone a clear direction on whether the existing WTP should be rehabilitated or a new WTP constructed shall be identified.
September 12 – October 7	Completion of draft report by selected firm. Presentation to stakeholders of findings
October 10 – 28	Review of draft report by stakeholders. Questions and comments will be collected and provided to selected firm.
October 31 – November 15	Selected firm will address questions and comments from stakeholders. Presentation at November 15 th City Council work session.
November 16 – November 25	Final comment period by stakeholders.
November 28 – December 30	Completion of final report. Final report will be due by December 30, 2016.
January 1, 2017 – April 1, 2017	Negotiation of water contract between the City of Oak Ridge and the Department of Energy.

AMENDMENT OF SOLICITATION/MODIFICATION OF CONTRACT		1. CONTRACT ID CODE	PAGE OF PAGES 1 2	
2. AMENDMENT/MODIFICATION NO. 0077	3. EFFECTIVE DATE See Block 16C	4. REQUISITION/PURCHASE REQ. NO.	5. PROJECT NO. (If applicable)	
6. ISSUED BY Oak Ridge U.S. Department of Energy P.O. Box 2001 Oak Ridge TN 37831	CODE 00518	7. ADMINISTERED BY (If other than Item 6)	CODE	
8. NAME AND ADDRESS OF CONTRACTOR (No., street, county, State and ZIP Code) OAK RIDGE, CITY OF Attn: JANICE MCGINNIS FINANCE DIRECTOR P.O. BOX 1 OAK RIDGE TN 378310001		(x) 9A. AMENDMENT OF SOLICITATION NO.	9B. DATED (SEE ITEM 11)	
CODE 049467152 FACILITY CODE		x 10A. MODIFICATION OF CONTRACT/ORDER NO. DE-AC05-00OR22777	10B. DATED (SEE ITEM 13) 04/15/2000	

11. THIS ITEM ONLY APPLIES TO AMENDMENTS OF SOLICITATIONS

The above numbered solicitation is amended as set forth in Item 14. The hour and date specified for receipt of Offers is extended. is not extended. Offers must acknowledge receipt of this amendment prior to the hour and date specified in the solicitation or as amended, by one of the following methods: (a) By completing Items 8 and 15, and returning _____ copies of the amendment; (b) By acknowledging receipt of this amendment on each copy of the offer submitted; or (c) By separate letter or telegram which includes a reference to the solicitation and amendment numbers. FAILURE OF YOUR ACKNOWLEDGEMENT TO BE RECEIVED AT THE PLACE DESIGNATED FOR THE RECEIPT OF OFFERS PRIOR TO THE HOUR AND DATE SPECIFIED MAY RESULT IN REJECTION OF YOUR OFFER. If by virtue of this amendment you desire to change an offer already submitted, such change may be made by telegram or letter, provided each telegram or letter makes reference to the solicitation and this amendment, and is received prior to the opening hour and date specified.

12. ACCOUNTING AND APPROPRIATION DATA (If required)

13. THIS ITEM ONLY APPLIES TO MODIFICATION OF CONTRACTS/ORDERS. IT MODIFIES THE CONTRACT/ORDER NO. AS DESCRIBED IN ITEM 14.

CHECK ONE	A. THIS CHANGE ORDER IS ISSUED PURSUANT TO: (Specify authority) THE CHANGES SET FORTH IN ITEM 14 ARE MADE IN THE CONTRACT ORDER NO. IN ITEM 10A.
	B. THE ABOVE NUMBERED CONTRACT/ORDER IS MODIFIED TO REFLECT THE ADMINISTRATIVE CHANGES (such as changes in paying office, appropriation date, etc.) SET FORTH IN ITEM 14, PURSUANT TO THE AUTHORITY OF FAR 43.103(b).
X	C. THIS SUPPLEMENTAL AGREEMENT IS ENTERED INTO PURSUANT TO AUTHORITY OF Mutual Agreement
	D. OTHER (Specify type of modification and authority)

E. IMPORTANT: Contractor is not. is required to sign this document and return 1 copies to the issuing office.

14. DESCRIPTION OF AMENDMENT/MODIFICATION (Organized by UCF section headings, including solicitation/contract subject matter where feasible.)

Potable Water Services for ORNL and the Y-12 Plant.
See Page 2 for details of modification.

Payment:

OR for Oak Ridge/OSTI
U.S. Department of Energy
Oak Ridge Office
Oak Ridge Financial Service Center
P.O. Box 6017
Oak Ridge TN 37831

Except as provided herein, all terms and conditions of the document referenced in Item 9 A or 10A, as heretofore changed, remains unchanged and in full force and effect.

15A. NAME AND TITLE OF SIGNER (Type or print)		16A. NAME AND TITLE OF CONTRACTING OFFICER (Type or print) Trae N. Crowder	
15B. CONTRACTOR/OFFEROR (Signature of person authorized to sign)	15C. DATE SIGNED	16B. UNITED STATES OF AMERICA (Signature of Contracting Officer)	16C. DATE SIGNED

This modification accomplishes the following:

1. Under Section B.3 –Price, modify the title of paragraph (e) which reads:

“POTABLE WATER RATES BEGINNING JANUARY 1, 2013, THROUGH DECEMBER 31, 2015”

to read as follows:

“POTABLE WATER RATES BEGINNING JANUARY 1, 2013, THROUGH MARCH 31, 2017”

2. Under Section B.3 –Price, modify paragraph (e)(1) which reads:

“From January 1, 2013, through April 30, 2014, DOE shall pay the fixed rate of \$2,075,000.00 annually, as adjusted on January 1, 2014 pursuant to Section B.4(b) (“Current Potable Water Rate”). From May 1, 2014, through March 31, 2016, the potable water rate shall be \$2,281,079 annually, as adjusted on January 1, 2015, and January 1, 2016, pursuant to Section B.4(b). The Potable Water rate shall be in equal monthly increments pursuant to Section G.2.”

to read as follows:

“From January 1, 2013, through April 30, 2014, DOE shall pay the fixed rate of \$2,075,000.00 annually, as adjusted on January 1, 2014 pursuant to Section B.4(b) (“Current Potable Water Rate”). From May 1, 2014, through March 31, 2016, the potable water rate shall be \$2,281,079 annually, as adjusted on January 1, 2015 pursuant to Section B.4(b). From April 1, 2016, through March 31, 2017, the potable water rate shall be \$2,103,876 annually which includes \$125,000 contribution towards minor capital improvements. The Potable Water rate shall be paid in equal monthly increments pursuant to Section G.2.”

3. Modify Section F.1 Term of Contract, modify which reads:

“This Contract shall expire on March 31, 2016, unless the parties agree to extend as described in Section B.5.”

to read as follows:

“This Contract shall expire on March 31, 2017, unless the parties agree to extend as described in Section B.5.”

All other terms and conditions are unchanged.