

E Environment Committee
For the Metropolitan Council meeting of July 22, 2009

Item: 2009-236

ADVISORY INFORMATION

Date Prepared: July 15, 2009

Subject: Authorization to Amend and Extend Operations Contract with New England Fertilizer Company (NEFCO) to Incorporate Use of Biogas

Proposed Action:

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

Summary of Committee Discussion / Questions:

Council Member Leppik asked for details or examples of the energy negotiations. Staff responded that gas and electrical usage for running the operations are limited to an guaranteed threshold of natural gas and electric use per dry ton processed by NEFCO. If the guarantees are exceeded, NEFCO reimburses MCES by way of a reduction of the monthly payment MCES makes to NEFCO for the actual cost of the power over the thresholds.

Council Member Leppik: Since the anaerobic digestion will reduce the volume of dry tons, does that mean there is room for expansion in this facility? Staff responded that when this contract was re-negotiated in 2006, we were nearing capacity. Part of the driver for anaerobic digestion project was to reduce the volume to make room for growth without expanding the NEFCO run facilities. This change, to be completed in 2011, will reduce the throughput between 30-40% and it is believed this will provide sufficient capacity for growth for several years.

Motion to accept proposed motion was made, seconded and passed unanimously.



Environment Committee

Meeting date: July 14, 2009

For the Metropolitan Council Meeting of July 22, 2009

ADVISORY INFORMATION

Date:	July 7, 2009
Subject:	Authorization to Amend and Extend Operations Contract with New England Fertilizer Company (NEFCO) to Incorporate Use of Biogas
District(s), Member(s):	All
Policy/Legal Reference:	Council Policy 3-3 – Expenditures
Staff Prepared/Presented:	Carol Mordorski 651-602-1173; Jason Willett 651-602-1196
Division/Department:	MCES c/o William G. Moore 651-602-1162

Proposed Action

That the Metropolitan Council authorizes the Regional Administrator to execute a five-year extension and amendment to the contract with the New England Fertilizer Company (NEFCO) to provide operations, management and guarantees for the heat-drying facilities at the Blue Lake Wastewater 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 of 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 March, 2006.

MCES will soon execute a construction contract for anaerobic digesters at Blue Lake. The digestion process will produce biogas that will be used to fuel the dryer, supplying most if not all of the fuel requirements for the dryer. The dryer burner and controls, operated under NEFCO management, need to be modified to allow the use of the biogas. The engineered equipment to operate the dryer on biogas, and services for installing and commissioning the system in the building operated by NEFCO are approximately \$143,000.

The Council will pay the capital costs of the project, as was done for the original facility. However, to avoid accountability confusion, NEFCO has agreed to guarantee and operate all the new equipment in the final stabilization building.

The digestion process will reduce the mass and volume of solids sent to the dryer by about 30%, thereby affecting the guarantees for gas and electric energy use that are part of the NEFCO contract. These guarantees were re-negotiated accordingly.

A hot water heat recovery system will be used to operate the digester heat exchangers, reducing the amount of natural gas needed to operate the digesters. This system will be located in the final stabilization building, and terms for assuming operating responsibilities for this system were also negotiated with NEFCO as part of the amendment.

The proposed amendment includes a provision for re-starting the five-year renewal period to avoid the contract expiring at an inconvenient time during the course of digester startup.

Other significant terms of the proposed agreement include assuming responsibility for maintaining a new 170' dryer exhaust stack, and terms for utilizing Council's Process Computer Group employees for controls programming services.

Rationale

Contract amendments exceeding \$100,000 require Council authorization.

Funding

The capital costs are included in the approved capital project (801840, Blue Lake Solids Improvements), which has an estimated project cost of \$32,000,000. The overall operating cost of the final stabilization process will decrease, due to savings of approximately \$800,000 annually for avoided natural gas purchase. The NEFCO contract value is approximately \$2,300,000 annually currently, and will decrease by about \$300,000 annually when the anaerobic digesters are operational in 2012 (less sludge to dryer).

Known Support / Opposition

None known.