

FOR BOARD ACTION

Agenda Item # 7.a.

Meeting Date:

7/31/07

SUBJECT: Emissions Reduction Project
Approval to Purchase Condensate Storage Tank

PREPARED BY: Wally Schlink, Director of Power Resources

ITEM DESCRIPTION:

The Emission Reduction Project (ERP) continues to proceed according to the project schedule.

Staff is now prepared to request approval for the purchase of the Condensate Storage Tank. The replacement of the existing condensate storage tank was required to make room for the installation of the emissions reduction equipment on a crowded plant site.

Through our engineers, Utility Engineering, a specification was distributed to 10 suppliers and we received a bid from one company, Midwest Tank Co. Although RPU continues to aggressively solicit bids from multiple equipment suppliers we are experiencing an impact due to the boom in the building of coal fired power plants world wide and the installation of emission reduction equipment domestically that has the suppliers of equipment being very selective in their choice of project participation. In reality, the RPU project is very small on the scale of projects on the drawing board and participation by the bidders reflected that fact.

Utility Engineering Inc., our project engineers, has reviewed the bid and determined that Midwest Tank Co. was responsive to the bid specifications and recommends purchase of the tank from Midwest Tank Co.

We request that the Board approve the purchase of the Condensate Storage Tank as defined in the RFB. This is an approved project in the 2007 capital budget.

Attached is a recommendation from Utility Engineering. Staff will be at the Board meeting to answer any questions on this request.

UTILITY BOARD ACTION REQUESTED:

Staff recommends that the Board approve the purchase and request that the Mayor execute the contract for the supply of the Condensate Storage Tank per the bid specification from Midwest Tank Company for the lump sum amount of \$134,000. Staff also requests the approval of a 15% contingency bringing the approved amount to \$154,100.


General Manager

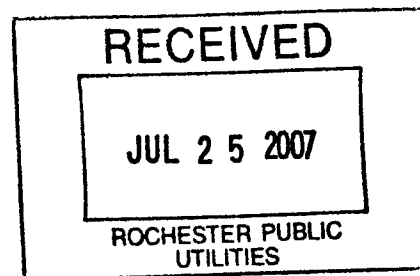

Date

ROCHESTER PUBLIC UTILITIES



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July 24, 2007



Mr. Walter Schlink
Director of Power Production
Rochester Public Utilities
4000 East River Road NE
Rochester, MN 55906-2813

Subject: Silver Lake Plant Unit 4 Emissions Reduction Project
UE Project No. 012668
Recommendation to Purchase Condensate Storage Tank from Midwest Tank Co.

Dear Mr. Schlink:

Utility Engineering Corporation (UE) recommends award of the Condensate Storage Tank purchase to Midwest Tank Co. We have worked closely with RPU and have followed RPU bid protocol while conducting the competitive bid process. One bid proposal for the condensate storage tank was received from Midwest Tank Co. UE has reviewed the Midwest Tank Co. proposal in detail and completed discussions related to technical and commercial exceptions with RPU and Midwest Tank Co. We believe the Midwest Tank Co. proposal meets the intent of our bid specifications and the equipment proposed will provide for long-term reliable condensate storage at the Silver Lake Plant. Awarding this contract by September 1, 2007 will allow RPU to take another step toward a successful project.

Bidding Process

On June 19, 2007, a Request for Bid (RFB) for the Condensate Storage Tank was issued to the following 10 bidders:

Arrow Tank
DCI Inc.
Dahmes Stainless Inc.
Derson Mfg. Inc.
Determan Brownie, Inc.
Midwest Tank Co.

Minnesota Petroleum
Moorhead Machinery & Boiler Co.
Westmor Industries, LLC
Wheeler Tank Manufacturing, Inc.

Midwest Tank Co. Bid

Midwest Tank Co. was the only company to submit a bid. They submitted a detailed proposal for a price of \$134,000 including shipping. UE's estimated cost for the Condensate Storage Tank was \$85,000. UE believes the Midwest Tank Co. bid has been responsive to the specification with some exceptions. Exceptions include details of shipping requirements and responsibility of damage incurred during delivery. UE considers the Midwest Tank Co. storage tank to be of adequate quality based on a thorough evaluation of this proposal.

Payment Terms

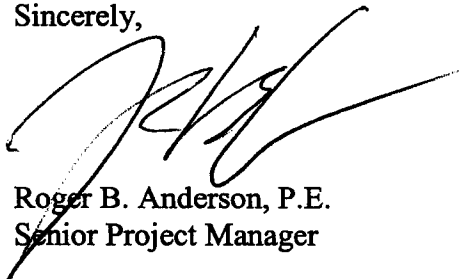
Midwest Tank Co. has offered the following payment schedule:

- 20% due upon receipt of purchase order
- 20% due upon drawing approval
- 20% due upon receipt of the major components
- 35% due upon shipment
- 5% retention due (90 days from ship date)

Recommended Contract Price

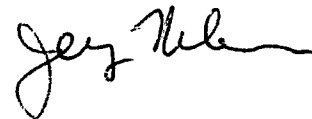
UE recommends the issuance of a purchase order to Midwest Tank Co. for \$134,000. To ensure that the bid price and negotiated Milestone Schedule dates remain valid, UE recommends that a purchase order be executed by September 1, 2007.

Sincerely,



Roger B. Anderson, P.E.
Senior Project Manager

RBA/dlk



Jeremy Nelson, E.I.T.
Mechanical Engineer



RESOLUTION

BE IT RESOLVED that the Board approves a contract agreement with Midwest Tank Company and requests that the Mayor and City Clerk execute the contract for

**Purchase of Condensate Storage Tank
Emission Reductions Project**

The amount of the contract agreement to be \$134,000 with a 15% contingency bringing the approved amount to \$154,100 and Midwest Tank Company being lowest responsible bidder.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 31st day of July, 2007.

President

Secretary