

## FOR BOARD ACTION

Agenda Item # 5

Meeting Date: 3/29/11

**SUBJECT:** Enviro-Logic Ash Disposal Agreement Amendment

**PREPARED BY:** Walter Schlink  
Director of Power Resources

ITEM DESCRIPTION:

RPU has an agreement in place with Enviro-Logic for the transportation and disposal of ash from the Silver Lake Power Plant. The agreement was originally approved by the RPU Board and executed in 2003 and was amended twice in 2007.

Staff is proposing a change in price and method that will result in an increase in disposal fees and freight fees, but will change the method that is used to calculate landfill fees for an overall reduction of annual expenses for the disposal of ash.

Please see the attached memorandum from Tony Dzubay for his recommendation and additional details as well as the copy of the Amendment.

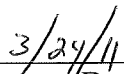
FOR CAPITAL PURCHASES/BIDS/MAJOR PROJECTS:

Not Applicable

UTILITY BOARD ACTION REQUESTED:

Management recommends that the Board approve the attached Amendment to the Ash Removal and Disposal Agreement and request the Mayor and City Clerk to execute the Amendment.

  
General Manager

  
Date



VISION  
 We will set the standard for service.  
 CORE VALUES  
 Safety \* Integrity \* Service  
 Stewardship \* Accountability \* Skill

## MEMORANDUM

DATE: 3/14/2011  
 TO: Wally Schlink, Larry Koshire, Joe Hensel  
 FROM: Tony Dzubay  
 SUBJECT: Enviro-Logic Ash Disposal Agreement Amendment

The ash agreement between RPU and Enviro-Logic was initially written and agreed upon in October of 2003 with amendments in January and July of 2007. The term of the agreement was 3 years with an automatic renewal unless otherwise specified. Therefore, the current agreement is still in effect, but a change in price and method is proposed below.

The landfills value their space more than weight so SKB (landfill) has been charging by the truckload with a minimum charge of 23 tons. Any overage is additional. SKB has agreed to charge RPU by the ton with no 23-ton minimum if the price is changed from \$19/ton to \$21/ton. With 399 truckloads in 2010, the average was approx 15.6 tons. This gives an overcharge of 2,953 tons. The 2010 to 2011 total landfill charge would be reduced by \$43,650.

2010 Data					
Avg Load (tons)	Min-Load (tons)	No. of Loads YTD	Actual Load YTD (tons)	Min-Charge Load YTD (tons)	Delta due to min-load (tons)
15.6	23	399	6,224	9,177	2,953

The freight company will not eliminate their 23-ton minimum charge. The shipping price will change from \$10/ton to \$11/ton. An average freight weight of 23.2 tons on 399 loads in 2010 gives an increase of \$9,256 not accounting for the fuel surcharge. The increase in fuel price from 2010 to 2011 will also raise the overall freight charges.

Since neither the landfill nor the shipping company has received a price increase in over 3 years, it is acceptable to modify the agreement. If the fuel prices decrease to \$3.15/gal and the average ash load does not change in 2011, the annual ash disposal costs will decrease by approx \$17,000.

Please read/approve/forward memo as appropriate.

-Tony Dzubay  
[tdzubay@rpu.org](mailto:tdzubay@rpu.org)  
 507.280.1679

## AMENDMENT TO ASH REMOVAL AND DISPOSAL AGREEMENT

THIS AGREEMENT is made as of the \_\_\_\_\_ day of \_\_\_\_\_, 2011, by and between the City of Rochester, Minnesota, a Minnesota municipal corporation (hereinafter "City"), and Enviro-Logic, Inc., a Minnesota corporation located at 19900 214<sup>th</sup> Avenue, Big Lake, Minnesota (hereinafter "Enviro-Logic").

WHEREAS, on August 28, 2003, the City and Enviro-Logic entered into an agreement concerning the removal and disposal of ash produced by the City at its electricity generating facilities and the agreement was amended January 2007 and July 2007; and

WHEREAS, the parties wish to amend that AGREEMENT as indicated below to the mutual benefit of both parties.

NOW, THEREFORE, the parties agree as follows:

- A. Section 1 of the AGREEMENT is amended to read as follows:
1. PRICE – Beneficial Use Option: City agrees to pay Enviro-Logic a price of \$25.00 per ton for the removal of dry ash and \$27.00 per ton for the removal of wet ash from the Silver Lake Plant to be transported to Lehigh Cement for beneficial use. In addition to the above unit prices there will be a \$2.00 per ton adder for ash hauled on the weekends. The adder will be applied to all ash loaded at the Silver Lake Plant from Friday 6:00 p.m. through Monday 6:00 a.m. This price shall include transportation, handling, storage and all related costs and fees.
  2. PRICE – Landfill Option: City agrees to pay Enviro-Logic a price of \$21.00 per ton for the removal of wet ash from the Silver Lake Plant to be transported to SKB Landfill for disposal. In addition to the above unit prices there will be a \$6.00 per ton adder for ash hauled on Saturdays. The adder will be applied to all ash loaded at the Silver Lake Plant from Friday 4:00 p.m. through Saturday 1:00 p.m. This price shall include transportation, handling, storage and all related costs and fees.
  3. PRICE – Other Options: City agrees to pay Enviro-Logic a negotiated and mutually agreed upon price per ton for the removal of ash from the Silver Lake Plant to be transported to an RPU-approved landfill or facility. The agreed upon price shall include transportation, handling, storage and all related costs and fees.
  4. FREIGHT: City agrees to pay Enviro-Logic freight charges for actual ash tonnage plus a fuel escalator. The agreed freight price shall be \$11 per ton.

5. FUEL ESCALATOR: For each \$.05 the price of diesel exceeds \$1.65 per gallon, a one percent increase will be applied to the above rates. The price of diesel will be drawn from the website [www.eia.doe.gov/pub/oil](http://www.eia.doe.gov/pub/oil) and the Midwest PADD 2 price section. The previous month's average will be used for the current month. Enviro-Logic reserves the right of first refusal should the City receive an economically more attractive offer.
6. MINIMUM LOAD CHARGE: Applied to freight charges only. A net cargo weight of less than 23 tons will be a 23 ton minimum load charge. The landfill price is not subject to the minimum load charge.
7. RIGHT OF FIRST REFUSAL: Enviro-Logic reserves the right of first refusal should the City receive an economically more attractive offer.
8. Example: 12 ton load –  $12 \times \$21 + 23 \times (11 \times 35\%) = \$593.55$

BE IT FURTHER AGREED that, except for the above amendments, the remainder of the AGREEMENT between the parties remains in effect and is binding upon the parties.

CITY OF ROCHESTER, MINNESOTA

ENVIRO-LOGIC, INC.

BY \_\_\_\_\_  
ITS MAYOR

BY \_\_\_\_\_  
ITS PRESIDENT

ATTEST: \_\_\_\_\_  
ITS CITY CLERK

ROCHESTER PUBLIC UTILITIES

BY \_\_\_\_\_  
ITS GENERAL MANAGER

APPROVED AS TO FORM AND EXECUTION:

BY \_\_\_\_\_  
ROCHESTER CITY ATTORNEY



## RESOLUTION

BE IT RESOLVED by the Public Utility Board of the City of Rochester, Minnesota to approve an Amendment to the Ash Removal and Disposal Agreement with Enviro-Logic, and that the Board request the Mayor and the City Clerk to execute the Agreement.

Passed by the Public Utility Board of the City of Rochester, Minnesota, this 29<sup>th</sup> day of March 2011.

---

President

---

Secretary