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Department of Utilities
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TO: Chairperson Kathy Plank and Members of the Finance Committee

FROM: Utilities Deputy Director Chris Stempa

DATE: April 7, 2016

RE: *Finance Committee Action: Approve positive budget variance transfer of \$50,000 from the 2016 AWTF Chemical Storage Room CIP to the AWTF Generator Emissions Control Project*

Finance Committee Action: Approve contract for the Installation of Emission Control Equipment on AWTF Generators to August Winter and Sons, Inc for \$46,500 with a contingency of \$3,500 and a project total not to exceed \$50,000

BACKGROUND:

On February 17, 2016 Common Council approved the purchase of an emissions control system from Fabick Power Systems in an amount not to exceed \$130,718. This was the first step in the process to expedite the delivery of emissions compliant equipment (eight week lead time) that will satisfy U.S. Environmental Protection Agency's (EPA) Clean Air Act requirements while preserving an existing capacity agreement with WPPI.

The February 2016 purchase award included the emissions control equipment, data loggers, crankcase and generator crankcase ventilation system, custom insulation blanket installation, electrical component installation, and equipment startup and commission services. It did not include the removal of the existing exhaust system, construction of framing supports, or the installation of the emissions control devices. It was determined to be necessary to segregate the approval for the equipment purchase (through Fabick) from the approval for the project task balance that included removal of the existing system, fabrication, and emissions device installation because of the known equipment lead time and the need to meet the June 1, 2016 WPPI capacity agreement date.

The emissions control equipment purchase was necessitated by recent challenges to the EPA RICE rules (for reciprocating internal combustion engines). In May 2015, the U.S. Court of Appeals for the D.C. Circuit struck down the federal regulatory provisions that allow emergency stationary combustion engines to participate in demand response programs for up to 100 hours per year. That challenge reverted the allowable "non-emergency" operation without the need for emissions control devices back to a 50 hour per year maximum threshold. The current WPPI capacity agreement with the Appleton

Water Treatment Facility (AWTF) requires up to 50 hours. That total combined with historical annual AWTF non-emergency operation (e.g. maintenance operation) would exceed the 50 hour per year threshold, and thus the units would be interpreted as non-compliant. The U.S. Court of Appeals granted the U.S. Environmental Protection Agency's motion to stay issuance of the court's mandate, leaving the regulatory provisions (100 hours per year) in place through May 1, 2016.

WPPI has indicated that they would not be able to continue the current capacity agreement following the federal rule change without the Appleton Water Treatment Facility (AWTF) complying with EPA RICE rules. That would represent a loss in annual revenue to the AWTF of \$70,000 - \$100,000. If the City completes this project by June 1, 2016 the existing capacity agreement would be amended from \$3.00 kW to \$4.00 kW rate which would yield greater annual revenues than the current agreement. If the project is not completed until later in the year, the City could make arrangements for an agreement with WPPI in 2017.

PROJECT FUNDING SOURCE:

This project was not accounted for in the 2016 budget and a budget transfer will be necessary to move the project forward. The 2016 AWTF Chemical Storage Room CIP has available funding that would cover the project equipment and installation shortfall.

RECOMMENDATION:

Approve contract for the Installation of Emission Control Equipment on AWTF Generators to August Winter and Sons, Inc. for \$46,500 with a contingency of \$3,500 for a project total not to exceed \$50,000

Approve positive budget variance transfer of \$50,000 from the 2016 AWTF Chemical Storage Room CIP to the AWTF Generator Emissions Control Project.

If you have any questions regarding this project please contact Chris Stempa at ph: 920-832-5945