

STAFF REPORT

Date: February 24, 2016

To: Mayor and City Council

Thru: Andrew Clinger, City Manager

Subject: Staff Report (For Possible Action): Approval of amendment to the Performance Contract for Energy Cost Savings, with Ameresco, Inc., at Truckee Meadows Water Reclamation Facility for an amount not to exceed \$267,735.60 with City of Reno's share in the amount of \$183,746.94 (Sewer Enterprise Fund).

From: John L. Flansberg, P.E., Director of Public Works

Summary: Per the Ameresco Performance-Based Contract, dated March 24, 2014 and signed by the Cities of Reno and Sparks, Ameresco was designated the Cities' agent for purchasing of Materials and Equipment for this project. Per past practice, Ameresco, as agent for the Cities, did not pay sales tax on purchases. Attorney General interpretations and legislation adopted in 2015, AB 332, changed this practice. As a result, the Cities of Reno and Sparks directed Ameresco to pay taxes starting on purchases on or after April 29, 2015. The resulting tax liability for the project is \$267,735.60. Since the Performance-Based Contract did not provide for the payment of the taxes, an amendment to the Contract to cover these costs is necessary. Staff recommends Council approve the amendment to the Performance Contract for Energy Cost Savings, with Ameresco, Inc., at Truckee Meadows Water Reclamation Facility for an amount not to exceed \$267,735.60 with City of Reno's share in the amount of \$183,746.94 (Sewer Enterprise Fund).

Previous Council Action:

August 22, 2012: Council approved a Performance Contract for Energy Cost Savings, to Ameresco, Inc. as the Energy Services Company (ESCO) for the TMWRF owned by the City of Reno and City of Sparks and authorization to proceed with the financial grade operational audit.

March 12, 2014: Acceptance of the Financial Grade Audit; approval of the Performance Contract for Energy Cost Savings, with Ameresco, Inc., at Truckee Meadows Water Reclamation Facility for an amount not to exceed \$24,911,589 (Reno's share being \$17,096,823.53 from Sewer Enterprise

Fund), approval of On-going Services agreement with Ameresco, Inc., and approval of Byproduct Removal agreement with Ostara USA, LLC.

April 30, 2014: Approval of Agreement for construction management services with Stantec Consulting Services, Inc. for services as described in the attached proposal in an amount not to exceed \$399,000 (Reno's share being \$273,833.70 from the Sewer Enterprise Fund).

Background:

In August of 2012, the Reno and Sparks City Councils selected Ameresco, Inc., an energy service company focused on providing clean and sustainable energy, to perform a Financial Grade Operational Audit through RFP 1425. Ameresco has extensive experience in retrofitting and improving wastewater treatment facilities and has particular expertise in Nevada performing over \$130 million in projects. Ameresco teamed up with the local engineering firm, Carollo Engineers, to provide local job opportunities and insight while working on the TMWRF facility.

The Financial Grade Operational Audit performed by Ameresco identified \$24,911,589 in Energy Conservation Measures (ECM) to maintain the integrity of the plant and lower energy, chemical, and operational costs resulting in annual savings of \$1,122,887. Portions of the ECM's included work previously identified in the TMWRF Capital Improvement plan (such as the digester cover refurbishment and repair) needed for proper functioning of the treatment processes. The Cities entered into the performance- based contract on March 24, 2014.

The following table summarizes the Energy Conservation Measures (ECM) being constructed as part of this project:

Energy Conservation Measure (ECM)	Scope Summary	Project Cost
ECM2 – Centrate Nutrient Recovery	Construct new prefab building Install one Ostara Pearl 2000 reactor and appurtenances Tie-ins to plant's utilities	\$6,760,860
ECM4A - Biogas Cogeneration	Demolish existing cogen system Install new 850kW cogen system	\$5,116,967
ECM4B – Digester Dome Repair	Repair Digester covers #1 and #3	\$3,121,795
ECM6 – Dewatering System Upgrades	Replace two centrifuges Replace two cake pumps Replace cake piping, valves, actuators Electrical, instrumentation, and controls	\$6,066,614

ECM7 – Lighting System Upgrade	Upgrade 1,558 light fixtures	\$428,761
ECM9 – Near Term Dewatering Upgrade	Repair dewatered sludge hoppers Install new dewatering polymer system Upgrade HVAC and air purge systems Modification to alum and centrate piping	\$3,005,202
ECM10 – MyEnergy Pro	MyEnergyPro utility/savings monitoring system	\$50,625
Detailed Energy Audit		\$149,835
Performance, Payments Bonds, Permits		\$210,930
	TOTAL	\$24,911,589

Discussion: Per the Ameresco Performance-Based Contract, signed by the Cities of Reno and Sparks, Ameresco was designated the Cities’ agent for purchasing of Materials and Equipment for the project. Per past practice, Ameresco, as agent for the Cities, did not pay sales tax on purchases. Attorney General interpretations and legislation adopted in 2015, AB 332, changed this practice. As a result, the Cities of Reno and Sparks directed Ameresco to pay taxes starting on purchases on or after April 29, 2015. The resulting tax liability for the project is \$267,735.60. Since the Performance-Based Contract did not provide for the payment of the taxes an amendment to the Contract to cover these costs is necessary.

Financial Implications: The City of Reno and the City of Sparks share the cost of this project which is 68.63% for Reno and 31.37% for Sparks, as shown in Table 1.

Table 1 - Cost Sharing Between Reno and Sparks

Total Cost of Contract	Reno Share	Sparks Share
\$267,735.60	\$183,746.94	\$ 83,988.66
Percentages	68.63%	31.37%

Legal Implications: The amendment is necessary to cover the state taxes pursuant to legislation adopted in 2015 as AB 332.

Recommendation: Staff recommends Council approve the amendment to the Performance Contract for Energy Cost Savings, with Ameresco, Inc., at Truckee Meadows Water Reclamation Facility for an amount not to exceed \$267,735.60 with City of Reno's share in the amount of \$183,746.94 (Sewer Enterprise Fund).

Proposed Motion: I move to approve staff recommendation.

Attachments:

- Ameresco Performance Based Contract Change Order #1, dated November 16, 2015
- Ameresco Performance Based Contract