Final Agenda
Special City Council Meeting
February 8, 2005

A Special meeting of the Fayetteville City Council will be held on February 8, 2005 at 6:00 p.m. in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Call to Order

Roll Call

Pledge of Allegiance

A. **Old Business:**

1. **OMI Contract Amendment No. 11 (A):** A resolution approving Amendment No. 11 (A) to the contract with Operations Management International (OMI) in the amount of $76,693.10 for the acquisition of an electric generating unit; extending the term of the agreement for operations, maintenance and management services and additional five (5) years; and approving a budget adjustment transferring $76,693.00 from Use of Fund Balance to PCP Operation Contract Fund. ***This resolution was tabled at the January 18, 2005 City Council Meeting to the February 1, 2005 City Council Meeting. This item was tabled at the February 1, 2005 City Council meeting to a Special City Council meeting on February 8, 2005.***

   THE CITY COUNCIL VOTED TO REPLACE WITH AMENDMENT NO. 12.

2. **OMI Contract Amendment No. 12**: A resolution approving Amendment No. 12 to the contract with Operations Management International (OMI); and approving a budget adjustment transferring $887,000.00 from Use of Fund Balance to the Wastewater Treatment Plant Generator Capital Project.

   PASSED AND SHALL BE RECORDED AS RESOLUTION NO. 21-05.

MEETING ADJOURNED AT 6:10 P.M.

Aldermen

Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith

Fayetteville
ARKANSAS

Ward 1 Position 1 - Robert Reynolds
Ward 1 Position 2 - Brenda Thiel
Ward 2 Position 1 - Kyle B. Cook
Ward 2 Position 2 - Don Marr
Ward 3 Position 1 - Robert K. Rhoads
Ward 3 Position 2 – Bobby Ferrell
Ward 4 Position 1 - Shirley Lucas
Ward 4 Position 2 - Lioneld Jordan

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City Council Meeting February 8, 2[illegible]

A.2.

passed

21-05

Subject:	OMI Contract Amendment #12				
Motion To:					
Motion By:		Ferrel			
Seconded:		Reynolds			
	Reynolds	✓			
	Thiel	✓			
	Cook	✓			
	Marr	✓			
	Rhoads	✓			
	Ferrell	✓			
	Lucas	✓			
	Jordan	✓			
	Mayor Coody	—			

Subject:					
Motion To:					
Motion By:					
Seconded:					
	Reynolds				
	Thiel				
	Cook				
	Marr				
	Rhoads				
	Ferrell				
	Lucas				
	Jordan				
	Mayor Coody				

City Council Meeting February 8, 20[illegible]

Meeting Adjourned at 6:10 pm

Subject:	Roll				
Motion To:					
Motion By:					
Seconded:					
	Reynolds	✓			
	Thiel	✓			
	Cook	✓			
	Marr	✓			
	Rhoads	✓			
	Ferrell	✓			
	Lucas	✓			
	Jordan	✓			
	Mayor Coody	absent			

A.1.

Subject:	OMI Contract No. 11(A)				
Motion To:		Replace 11(A) with 12			
Motion By:		Rhoads			
Seconded:		Cook			
	Reynolds	✓			
	Thiel	✓			
	Cook	✓			
	Marr	✓			
	Rhoads	✓			
	Ferrell	✓			
	Lucas	✓			
	Jordan	✓			
	Mayor Coody	absent			

Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith

Fayetteville
ARKANSAS

Aldermen

Ward 1 Position 1 - Robert Reynolds
Ward 1 Position 2 - Brenda Thiel
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2. **OMI Contract Amendment No. 12**: A resolution approving Amendment No. 12 to the contract with Operations Management International (OMI); and approving a budget adjustment transferring $887,000.00 from Use of Fund Balance to the Wastewater Treatment Plant Generator Capital Project.

City of Fayetteville
Staff Review Form
City Council Agenda Items
Contracts

18-Jan-05
City Council Meeting Date

Greg Boettcher	Wastewater Treatment	Water and Wastewater
Submitted By	Division	Department

Action Required:

Resolution approving Amendment Number 11 (A) with Operations Management International, Inc. authorizing acquisition of an electric generation unit for the Noland Wastewater Plant and extension of the operating agreement for 5 years. A budget adjustment of $76,693.10 is included for residual electric rate impacts for calendar year 2005 only, funds to come from use of fund balance and be added to Services and Charges.

$76,693.10		vater Treatement Plant/Services and C
Cost of this request	Category/Project Budget	Program Category / Project Name
5100.5328.00 5400~~.0940.4999.99~~	$ -	Use of Fund Reserves
Account Number	Funds Used to Date	Program / Project Category Name
	$ -	Water and Sewer
Project Number	Remaining Balance	Fund Name

Budgeted Item [X]   Budget Adjustment Attached [X]

Department Director — 12-20-04 Date

City Attorney — 12/21/04 Date

Chief Administrative Officer
Finance + Internal Services — 12/21/04 Date

Mayor — 12/28/04 Date

Previous Ordinance or Resolution #

Original Contract Date: 1-Sep-94

Original Contract Number:

Received in Mayor's Office
12/21/04 PH.

Received in City Clerk's Office
12-20-04
ENTERED 12-21-04

Comments:

City Council Meeting of January 18, 2005

CITY COUNCIL AGENDA MEMO

To: Mayor and City Council

From: Greg Boettcher, Water/Wastewater Director Greg Boettcher

Date: December 22, 2004

Subject: Resolution approving Amendment Number 11 (A) with Operations Management International, Inc. authorizing acquisition of an electric generation unit for the Noland Wastewater Plant and extension of the operating agreement for 5 years. A budget adjustment of $76,693.10 is included for residual electric rate impacts for calendar year 2005 only, funds to come from use of fund balance and to be added to Watewater Treatment Plant Program/Services and Charges.

RECOMMENDATION

Fayetteville City Administration recommends approval of "Amendment No. 11 (A) to the Agreement for Operations, Maintenance and Management Services for the City of Fayetteville, Arkansas Wastewater Treatment Plant." This contract amendment increases the 2005 contract value by $76,693.10 to cover the residual electric rate effects for calendar year 2005. This amendment increases the 2005 contract to a total of $4,561,018.10.

BACKGROUND

Final design of the Noland Wastewater Plant Improvements includes the installation of a second standby electric generating unit at a cost of approximately $350,000.00 to handle the increased needs of the facility. An opportunity has been discovered whereby the City can acquire a larger backup electric generation unit that enables lowered electric costs by nature of load management capabilities. Energy cost savings are such that the City can recover the principal and interest payments from energy cost savings provided that the equipment is financed over a five year term. At the end of this five-year payback period; all energy costs savings will be captured by the City of Fayetteville plus the City shall have acquired a self-funded equipment asset. This concept has multiple applications within the Fayetteville Wastewater System Improvements Project, as standby electric generating units have been designed for both the new West Side Wastewater Treatment Plant and for the new Hamestring Lift Station. The Noland Plant's application is simply the first to be released for bids; hence the current desire to move forward with this activity. In order to minimize the electric generation system costs, coordinate load management practices, secure buy-in from plant operations and meet tight time schedules; it is proposed to use a contract amendment with OMI to secure the financing, planning, installation and operation of the Noland Generator Project.

While the Noland Generator Project will be self-funding once the new rates are in effect; there is a residual energy cost impact that represents a one-time, up front project expenditure. This initiation cost is due to the fact that electric load management in 2005 will not impact electric charges until the start of 2006, therefore, the first year costs must

Tabled to Special City Council Mtg 2/8/05
to 2/1/05
Tabled ~~indefinitely~~ @ 1/18/05 mtg

adjust for this startup expense. This rate residual impact is predicted at $76,693.10 for 2005; hence the increase in OMI's contract value and the associated budget adjustment.

DISCUSSION

Fayetteville has a narrow window of opportunity to simultaneously capture capital cost savings and operating cost savings. The acquisition of load management electric generating equipment for its wastewater treatment facilities has predicted capital cost savings of $1.75 million ($350,000 at Noland, $1,000,000 at West Plant and $400,000 at Hamestring). The use of OMI contract amendments to acquire, finance and repay such costs provides Fayetteville with the ability to capture the energy costs savings at the end of the 5-year repayment period, equating to reduced operating costs over time.

With the Noland Wastewater Project's Contract EP-2 scheduled for a bid opening on February 15, 2005; it is desirable to finalize this decision to enable issuance of an addendum deleting the proposed smaller standby power system.

BUDGET IMPACT

The contract amendment increases the OMI contract value by $76,693.10 in 2005 and will require a budget adjustment to transfer said amount from use of water and sewer fund balance. This one-time implementation expense offers an immediate capital cost savings of $350,000.00 plus operating costs savings after retiring the 5-year equipment financing.

RESOLUTION NO. ______

A RESOLUTION APPROVING AMENDMENT NO. 11 (A) TO THE CONTRACT WITH OPERATIONS MANAGEMENT INTERNATIONAL (OMI) IN THE AMOUNT OF $76,693.10 FOR THE ACQUISITION OF AN ELECTRIC GENERATING UNIT; EXTENDING THE TERM OF THE AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES AN ADDITIONAL FIVE (5) YEARS; AND APPROVING A BUDGET ADJUSTMENT TRANSFERRING $76,693.00 FROM USE OF FUND BALANCE TO PCP OPERATION CONTRACT FUND.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby approves Amendment No. 11 (A) to the contract with Operations Management International (OMI) in the amount of $76,693.10. A copy of Amendment No. 11 (A), marked Exhibit "A" is attached hereto, and made a part hereof.

Section 2. That the City Council of the City of Fayetteville, Arkansas hereby agrees to extend the Agreement for Operations, Maintenance and Management Services an additional five (5) years.

Section 3. That the City Council of the City of Fayetteville, Arkansas hereby approves a budget adjustment transferring $76,693.00 from Use of Fund Balance to PCP Operation Contract Fund.

PASSED and **APPROVED** this 18th day of January 2005.

APPROVED:

By: ________________________
DAN COODY, Mayor

ATTEST:

By: ________________________
SONDRA SMITH, City Clerk

City of Fayetteville, Arkansas
Budget Adjustment Form

Budget Year		Date Requested	Adjustment Number
2004	Department: Water & Wastewater Division: Wastewater Treatment Program: Wastewater Treatment Plant	12/22/2004	

Project or Item Requested:

Adjust wastewater plant operations budget by $76,693.10 for amendment 11(A) relating to the acquisition and financing of a generator system for the Noland Wastwater Plant. Adjustment is for the one-time residual electric rate impacts in calendar year 2005

Project or Item Deleted:

$76,693.10 will be the Use of Fund Balance.

Justification of this Increase:

This expenditure is the upfront expense to initiate a self-funding equipment acquistion that has benefits of $350,000 capital project cost savings, 5-year financing thru electric energy savings and direct energy cost savings to City after 5-year repayment period.

Justification of this Decrease:

This investment in equipment and future savings is a cost-effective use of water and sewer funds. Sufficient funding remains to comply with City Policy.

Increase Budget (Decrease Revenue)

Account Name	Account Number				Amount	Project Number	
PCP operation contract	5400	5100	5328	00	76,693		

Decrease Budget (Increase Revenue)

Account Name	Account Number				Amount	Project Number	
Use of fund balance	5400	0940	4999	99	76,693		

Approval Signatures

	Date
Requested By	12-22-04
Budget Manager	12-20-04
Department Director	12-21-04
Finance & Internal Services Director	2/1/05
Mayor	

Budget Office Use Only

Type: A B C D E

	Initial	Date
Date of Approval		
Posted to General Ledger		
Posted to Project Accounting		
Entered in Category Log		

AMENDMENT NO. 11(A)

TO

AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES FOR THE CITY OF FAYETTEVILLE, ARKANSAS WASTEWATER TREATMENT PLANT

THIS AMENDMENT NO. 11(A) to the Agreement for Operations, Maintenance and Management Services for the City of Fayetteville, Arkansas Wastewater Treatment Plant dated September 1, 1994 (the "Agreement"), made effective on the 1st day of January, 2005, by and between the City of Fayetteville, Arkansas, whose address for any formal notice is 113 W. Mountain St, Fayetteville, Arkansas 72701 (hereinafter the "City") and Operations Management International, Inc., with offices at 9193 S. Jamaica Street, Suite 400, Englewood, Colorado 80112 (hereinafter "OMI") is made and entered into for purposes of amending certain provisions of the Agreement, to prevent the facilities covered by the Agreement from being deemed to be used in the trade or business of OMI pursuant to Section 141 (b) of the Internal Revenue Code of 1986, as amended.

NOW THEREFORE, the City and OMI agree to amend the Agreement as follows:

1. Article 4.3 is hereby deleted in its entirety and replaced with the following Article 4.3:

    4.3 OMI estimates the cost for services for calendar year 2005 shall be Four Million Five Hundred Sixty One Thousand Eighteen Dollars ($4,561,018.00). Details of said cost are shown in Appendix J. The base fee shall be negotiated each year in September for the upcoming calendar year. Should the City and OMI fail to agree, the base fee will be determined by the application of the base fee adjustment formula shown in Appendix F. Should the actual expenditures exceed estimated expenditures by more than Twenty Thousand Dollars ($20,000), in any year of this Agreement, specific approval will be obtained from the City prior to OMI incurring additional costs.

2. Article 7.1 is hereby deleted in its entirety and replaced with the following Article 7.1:

    7.1 This initial term of this Agreement shall be five (5) years and four (4) months commencing on September 1, 1994 and ending on December 31, 1999, followed by two (2) successive five (5) year options, each renewable at the sole discretion of OMI. The City has exercised its options to extend through December 31, 2008. In consideration of OMI's agreement to fund the Power Generator Project at the Noland WWTP, described in Appendix L, the City is hereby extending this Agreement through and including December 31, 2013.

3. A new Appendix L is added in the form attached hereto.

This Amendment No. 11(A) together with the Agreement constitutes the entire agreement between the Parties and supersedes all prior oral and written understandings with respect to the subject matter set forth herein. Unless specifically stated all other terms and conditions of the Agreement shall remain in full force and effect. Neither this Amendment nor the Agreement may be modified except in writing signed by an authorized representative of the Parties.

The Parties, intending to be legally bound, indicate their approval of the Amendment by their signatures below.

OPERATIONS MANAGEMENT INTERNATIONAL, INC.	**CITY OF FAYETTEVILLE**
______________________	______________________
Roger B. Quayle	Dan Coody
Senior Vice President	Mayor
Date:______________________	Date:______________________

Appendix J

COST DETAIL

The annualized estimated costs for calendar year 2005 are as follows:

Description		Existing 2005 Estimated Costs		Amended 2005 Estimated Costs
Direct Labor & Benefits	$	1,671,071.00	$	1,671,071.00
Labor Markup	$	501,321.00	$	501,321.00
Electricity	$	642,720.00	$	588,480.00
Electrical Markup	$	-	$	-
Other Direct Costs	$	1,288,073.00	$	1,304,771.00
Other Direct Costs Markup	$	128,807.00	$	130,477.10
Subtotal	**$**	**4,231,992.00**	**$**	**4,196,120.10**
Fixed Fee	$	82,349.00	$	81,651.00
Lift Station Odor Control	$	69,362.00	$	69,362.00
Capital Item Amortization	$	100,622.00	$	100,622.00
Power Generator Project				
Equipment Amortization	$	-	$	113,263.00
Total Est. O & M Budget	**$**	**4,484,325.00**	**$**	**4,561,018.10**
Total Est. Annualized Budget	$	4,484,325.00	$	4,561,018.10
Estimated Increase			$	76,693.10

The following are some of the major reasons for cost circumstances:

1. Continued increase in the efficient use of technological automation and job-sharing within the OMI network.

2. Continued upward pressure on the cost of fuel and vehicle expenses.

3. Ever increasing cost to maintain community-expected high level of performance with many pieces of equipment nearing the end of their life cycle and destined to be replaced or upgraded as part of the ongoing Wastewater Improvement Project.

4. Continued population growth causing a related increase in sludge production and ultimate sludge disposal costs.

5. Additional costs for maintenance of 4-5 new sewage lift stations during the next year.

6. Potentially less expensive sludge disposal alternatives continue to be evaluated, which may or may not become feasible within the next 12 months.

7. Addition of the Power Generator Project as described in Appendix L hereto.

Appendix L

POWER GENERATOR PROJECT - SCOPE OF WORK

Due to significantly increased emphasis on preventing all possible wastewater overflows and/or interruptions in wastewater treatment capability by the Arkansas Department of Environmental Quality and the United States Environmental Protection Agency, as well as currently available favorable electrical rate structures it has become necessary for the City to install full-backup power generation equipment at the Paul R. Noland wastewater treatment plant (WWTP). In addition, the City anticipates installing full-backup power generation equipment at the new Westside WWTP facility and at the expanded Hamestring sewer lift station facility in accordance with the respective construction sequencing as these facilities are constructed.

The cost of the power generation equipment (the "Equipment") to effect the implementation of the power generation system at the Noland WWTP is $715,000.

OMI hereby agrees to locate, procure and finance the cost of the Equipment at an annual interest rate of seven percent over the course of sixty (60) months on behalf of the City in accordance with the amortization schedule set forth in Attachment 1 to this Appendix L and the City hereby agrees that it will purchase the Equipment from OMI over the course of such sixty (60) month period (the "Amortization Period"). The City's first payment to OMI will be due in the month following the installation complete date, currently estimated to be May 15, 2005. The City may elect to complete purchase of the Equipment at any time during the Amortization Period without incurring any early payment penalties.

Copies of purchase orders, bills of sale or invoices evidencing OMI's purchase will be furnished to the City upon request.

Title and risk of loss to the Equipment will remain with OMI at all times during the Amortization Period. At the end of the Amortization Period, title and risk of loss for and to the Equipment will transfer to the City.

If for any reason the Agreement is terminated by either party prior to the end of the Amortization Period, the City will pay to OMI the remaining balance due, in full, within thirty (30) days following termination. In the event the City refuses to or fails to make payment within thirty (30) days following termination OMI may exercise all rights available to it, including but not limited to, removal of the Equipment from the Noland WWTP.

OMI may sell or assign this Amendment 11(A) and the Equipment to a third party in its sole discretion at any time during the Amortization Period.

Costs for diesel fuel will be provided directly by the City of Fayetteville as described in Article 3.8 of this Agreement. Costs for natural gas, applicable taxes, insurance, maintenance, and monitoring fees will be included in the actual cost of services as shown in Appendix J, and costs for these items in subsequent years during the Term will be provided to the City in accordance with the provisions of the Agreement.

The parties agree that they intend to install power generation systems at the new Westside WWTP and the expanded Hamestring sewer lift station at the appropriate time during the construction sequencing for each of these facilities, and that they intend to amortize the cost of each of these systems over a five year period. The parties will amend this Appendix L as necessary to address the terms and conditions agreed upon with respect to the power generation systems to be installed at the Westside WWTP and the Hamestring sewer lift station.

Attachment 1 to Appendix L

AMORTIZATION SCHEDULE

Data

LOAN DATA

Loan amount: $715,000.00
Annual interest rate: 7.00%
Term in years: 5
Payments per year: 12
First payment due: 5/1/2005

TABLE DATA

Table starts at date:
or at payment number: 1

PERIODIC PAYMENT

Entered payment:
Calculated payment: $14,157.86

CALCULATIONS

Use payment of: $14,157.86
1st payment in table: 1

Beginning balance at payment 1: $715,000.00
Cumulative interest prior to payment 1: $0.00

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	5/1/2005	715,000.00	4,170.83	9,987.02	705,012.98	4,170.83
2	6/1/2005	705,012.98	4,112.58	10,045.28	694,967.70	8,283.41
3	7/1/2005	694,967.70	4,053.98	10,103.88	684,863.82	12,337.39
4	8/1/2005	684,863.82	3,995.04	10,162.82	674,701.00	16,332.43
5	9/1/2005	674,701.00	3,935.76	10,222.10	664,478.90	20,268.18
6	10/1/2005	664,478.90	3,876.13	10,281.73	654,197.17	24,144.31
7	11/1/2005	654,197.17	3,816.15	10,341.71	643,855.46	27,960.46
8	12/1/2005	643,855.46	3,755.82	10,402.03	633,453.43	31,716.28
9	1/1/2006	633,453.43	3,695.14	10,462.71	622,990.71	35,411.43
10	2/1/2006	622,990.71	3,634.11	10,523.74	612,466.97	39,045.54
11	3/1/2006	612,466.97	3,572.72	10,585.13	601,881.84	42,618.26
12	4/1/2006	601,881.84	3,510.98	10,646.88	591,234.96	46,129.24
13	5/1/2006	591,234.96	3,448.87	10,708.99	580,525.97	49,578.11
14	6/1/2006	580,525.97	3,386.40	10,771.46	569,754.52	52,964.51
15	7/1/2006	569,754.52	3,323.57	10,834.29	558,920.23	56,288.08
16	8/1/2006	558,920.23	3,260.37	10,897.49	548,022.74	59,548.45
17	9/1/2006	548,022.74	3,196.80	10,961.06	537,061.68	62,745.25
18	10/1/2006	537,061.68	3,132.86	11,025.00	526,036.68	65,878.11
19	11/1/2006	526,036.68	3,068.55	11,089.31	514,947.37	68,946.66
20	12/1/2006	514,947.37	3,003.86	11,154.00	503,793.38	71,950.52
21	1/1/2007	503,793.38	2,938.79	11,219.06	492,574.31	74,889.31
22	2/1/2007	492,574.31	2,873.35	11,284.51	481,289.81	77,762.66
23	3/1/2007	481,289.81	2,807.52	11,350.33	469,939.47	80,570.18
24	4/1/2007	469,939.47	2,741.31	11,416.54	458,522.93	83,311.50

25	5/1/2007	458,522.93	2,674.72	11,483.14	447,039.79	85,986.22
26	6/1/2007	447,039.79	2,607.73	11,550.12	435,489.67	88,593.95
27	7/1/2007	435,489.67	2,540.36	11,617.50	423,872.17	91,134.30
28	8/1/2007	423,872.17	2,472.59	11,685.27	412,186.90	93,606.89
29	9/1/2007	412,186.90	2,404.42	11,753.43	400,433.46	96,011.31
30	10/1/2007	400,433.46	2,335.86	11,822.00	388,611.47	98,347.18
31	11/1/2007	388,611.47	2,266.90	11,890.96	376,720.51	100,614.08
32	12/1/2007	376,720.51	2,197.54	11,960.32	364,760.19	102,811.61
33	1/1/2008	364,760.19	2,127.77	12,030.09	352,730.10	104,939.38
34	2/1/2008	352,730.10	2,057.59	12,100.26	340,629.84	106,996.97
35	3/1/2008	340,629.84	1,987.01	12,170.85	328,458.99	108,983.98
36	4/1/2008	328,458.99	1,916.01	12,241.85	316,217.14	110,899.99
37	5/1/2008	316,217.14	1,844.60	12,313.26	303,903.88	112,744.59
38	6/1/2008	303,903.88	1,772.77	12,385.08	291,518.80	114,517.36
39	7/1/2008	291,518.80	1,700.53	12,457.33	279,061.47	116,217.89
40	8/1/2008	279,061.47	1,627.86	12,530.00	266,531.47	117,845.75
41	9/1/2008	266,531.47	1,554.77	12,603.09	253,928.38	119,400.52
42	10/1/2008	253,928.38	1,481.25	12,676.61	241,251.77	120,881.76
43	11/1/2008	241,251.77	1,407.30	12,750.55	228,501.22	122,289.07
44	12/1/2008	228,501.22	1,332.92	12,824.93	215,676.28	123,621.99
45	1/1/2009	215,676.28	1,258.11	12,899.75	202,776.54	124,880.10
46	2/1/2009	202,776.54	1,182.86	12,974.99	189,801.55	126,062.97
47	3/1/2009	189,801.55	1,107.18	13,050.68	176,750.86	127,170.14
48	4/1/2009	176,750.86	1,031.05	13,126.81	163,624.05	128,201.19
49	5/1/2009	163,624.05	954.47	13,203.38	150,420.67	129,155.66
50	6/1/2009	150,420.67	877.45	13,280.40	137,140.27	130,033.12
51	7/1/2009	137,140.27	799.98	13,357.87	123,782.40	130,833.10
52	8/1/2009	123,782.40	722.06	13,435.79	110,346.60	131,555.16
53	9/1/2009	110,346.60	643.69	13,514.17	96,832.43	132,198.85
54	10/1/2009	96,832.43	564.86	13,593.00	83,239.43	132,763.71
55	11/1/2009	83,239.43	485.56	13,672.29	69,567.14	133,249.27
56	12/1/2009	69,567.14	405.81	13,752.05	55,815.09	133,655.08
57	1/1/2010	55,815.09	325.59	13,832.27	41,982.82	133,980.67
58	2/1/2010	41,982.82	244.90	13,912.96	28,069.86	134,225.57
59	3/1/2010	28,069.86	163.74	13,994.12	14,075.75	134,389.31
60	4/1/2010	14,075.75	82.11	14,075.75	0.00	134,471.42

Fayetteville
ARKANSAS

WATER AND WASTEWATER DIVISION
DEPARTMENTAL CORRESPONDENCE

TO: **Mayor and City Council**

FROM: Matt Taylor, P.E. MWT
Burns & McDonnell

DATE: January 11, 2005

RE: **Revised Copy of Amendment 11A**
OMI's Contract

Attached is a slightly revised copy of Amendment 11A to OMI's contract with the City. The primary changes are listed below with a brief explanation of each.

1. The total contract amount for calendar year 2005 has been increased approximately $8,400 (0.18% of total) to $4,569,412.89 due primarily to corrections to sales tax estimates and the addition of an extended warranty for the generator proposed at the Noland Treatment Facility.

2. The interest rate has not changed, but it is described in the revised contract in terms of the prime rate plus 2%.

3. Sales tax and the four-year extended warranty (5 years total) are addressed in the revised contract text.

4. OMI removed text that gave them the right to sell or assign the work included in Amendment 11A.

The revisions to Amendment 11A are appropriate and reflect OMI's efforts to be as accurate as possible. My recommendation is to approve the revised contract amendment as submitted.

AMENDMENT NO. 11(A)

TO

AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES FOR THE CITY OF FAYETTEVILLE, ARKANSAS WASTEWATER TREATMENT PLANT

THIS AMENDMENT NO. 11(A) to the Agreement for Operations, Maintenance and Management Services for the City of Fayetteville, Arkansas Wastewater Treatment Plant dated September 1, 1994 (the "Agreement"), made effective on the 1st day of January, 2005, by and between the City of Fayetteville, Arkansas, whose address for any formal notice is 113 W. Mountain St, Fayetteville, Arkansas 72701 (hereinafter the "City") and Operations Management International, Inc., with offices at 9193 S. Jamaica Street, Suite 400, Englewood, Colorado 80112 (hereinafter "OMI") is made and entered into for purposes of amending certain provisions of the Agreement, to prevent the facilities covered by the Agreement from being deemed to be used in the trade or business of OMI pursuant to Section 141 (b) of the Internal Revenue Code of 1986, as amended.

NOW THEREFORE, the City and OMI agree to amend the Agreement as follows:

1. Article 4.3 is hereby deleted in its entirety and replaced with the following Article 4.3:

   4.3 OMI estimates the cost for services for calendar year 2005 shall be Four Million Five Hundred Sixty Nine Thousand Four Hundred Twelve Dollars and Eighty-Nine Cents ($4,569,412.89). Details of said cost are shown in Appendix J. The base fee shall be negotiated each year in September for the upcoming calendar year. Should the City and OMI fail to agree, the base fee will be determined by the application of the base fee adjustment formula shown in Appendix F. Should the actual expenditures exceed estimated expenditures by more than Twenty Thousand Dollars ($20,000), in any year of this Agreement, specific approval will be obtained from the City prior to OMI incurring additional costs.

2. Article 7.1 is hereby deleted in its entirety and replaced with the following Article 7.1:

   7.1 This initial term of this Agreement shall be five (5) years and four (4) months commencing on September 1, 1994 and ending on December 31, 1999, followed by two (2) successive five (5) year options, each renewable at the sole discretion of OMI. The City has exercised its options to extend through December 31, 2008. In consideration of OMI's agreement to fund the Power Generator Project at the Noland WWTP, described in Appendix L, the City is hereby extending this Agreement through and including December 31, 2013.

3. A new Appendix L is added in the form attached hereto.

This Amendment No. 11(A) together with the Agreement constitutes the entire agreement between the Parties and supersedes all prior oral and written understandings with respect to the subject matter set forth herein. Unless specifically stated all other terms and conditions of the Agreement shall remain in full force and effect. Neither this Amendment nor the Agreement may be modified except in writing signed by an authorized representative of the Parties.

The Parties, intending to be legally bound, indicate their approval of the Amendment by their signatures below.

OPERATIONS MANAGEMENT INTERNATIONAL, INC.	**CITY OF FAYETTEVILLE**
____________________________	____________________________
Roger B. Quayle	Dan Coody
Senior Vice President	Mayor
Date:______________________	Date:______________________

Appendix J

COST DETAIL

The annualized estimated costs for calendar year 2005 are as follows:

Description		Existing 2005 Estimated Costs		Amended 2005 Estimated Costs
Direct Labor & Benefits	$	1,671,071.00	$	1,671,071.00
Labor Markup	$	501,321.00	$	501,321.00
Electricity	$	642,720.00	$	588,480.00
Electrical Markup	$	-	$	-
Other Direct Costs	$	1,288,073.00	$	1,305,526.74
Other Direct Costs Markup	$	128,807.00	$	130,552.67
Subtotal	**$**	**4,231,992.00**	**$**	**4,196,951.41**
Fixed Fee	$	82,349.00	$	81,667.16
Lift Station Odor Control	$	69,362.00	$	69,362.00
Capital Item Amortization	$	100,622.00	$	100,622.00
Power Generator Project				
Equipment Amortization	$	-	$	120,810.32
Total Est. O & M Budget	**$**	**4,484,325.00**	**$**	**4,569,412.89**
Total Est. Annualized Budget	$	4,484,325.00	$	4,569,412.89
Estimated Increase			$	85,087.89

The following are some of the major reasons for cost circumstances:

1. Continued increase in the efficient use of technological automation and job-sharing within the OMI network.

2. Continued upward pressure on the cost of fuel and vehicle expenses.

3. Ever increasing cost to maintain community-expected high level of performance with many pieces of equipment nearing the end of their life cycle and destined to be replaced or upgraded as part of the ongoing Wastewater Improvement Project.

4. Continued population growth causing a related increase in sludge production and ultimate sludge disposal costs.

5. Additional costs for maintenance of 4-5 new sewage lift stations during the next year.

6. Potentially less expensive sludge disposal alternatives continue to be evaluated, which may or may not become feasible within the next 12 months.

7. Addition of the Power Generator Project as described in Appendix L hereto.

Appendix L

POWER GENERATOR PROJECT - SCOPE OF WORK

Due to significantly increased emphasis on preventing all possible wastewater overflows and/or interruptions in wastewater treatment capability by the Arkansas Department of Environmental Quality and the United States Environmental Protection Agency, as well as currently available favorable electrical rate structures it has become necessary for the City to install full-backup power generation equipment at the Paul R. Noland wastewater treatment plant (WWTP). In addition, the City anticipates installing full-backup power generation equipment at the new Westside WWTP facility and at the expanded Hamestring sewer lift station facility in accordance with the respective construction sequencing as these facilities are constructed.

The City has reviewed available options and has determined that it desires to install a power generation system manufactured by PowerSecure, Inc. The cost of the power generation equipment (the "Equipment") to effect the implementation of the power generation system at the Noland WWTP, including applicable sales taxes and a four-year extended warranty, is estimated to be $762,645.00.

OMI hereby agrees to procure and finance the cost of the Equipment at an annual interest rate of prime plus two percent (2%), currently seven percent (7%) over the course of sixty (60) months on behalf of the City in accordance with the amortization schedule set forth in Attachment 1 to this Appendix L and the City hereby agrees that it will purchase the Equipment from OMI over the course of such sixty (60) month period (the "Amortization Period"). The City's first payment to OMI will be due in the month following the installation complete date, currently estimated to be May 15, 2005. The City may elect to complete purchase of the Equipment at any time during the Amortization Period without incurring any early payment penalties. OMI makes no representations or warranties to the City with respect to the Equipment nor does it make any representations with respect to the savings the City may realize following installation of the Equipment. OMI shall pass through to the City any warranties provided by PowerSecure, but shall have no other responsibility for the manufactured quality of the generators.

Copies of purchase orders, bills of sale or invoices evidencing OMI's purchase will be furnished to the City upon request.

Title and risk of loss to the Equipment will remain with OMI at all times during the Amortization Period. At the end of the Amortization Period, title and risk of loss for and to the Equipment will transfer to the City.

If for any reason the Agreement is terminated by either party prior to the end of the Amortization Period, the City will pay to OMI the remaining balance due, in full, within thirty (30) days following termination. In the event the City refuses to or fails to make payment within thirty (30) days following termination OMI may exercise all rights available to it, including but not limited to, removal of the Equipment from the Noland WWTP.

OMI may sell or assign this equipment purchase to a third party in its sole discretion at any time during the Amortization Period.

Costs for diesel fuel will be provided directly by the City of Fayetteville as described in Article 3.8 of this Agreement. Costs for natural gas, applicable taxes, insurance, maintenance, and monitoring fees will be included in the actual cost of services as shown in Appendix J, and costs for these items in subsequent years during the Term will be provided to the City in accordance with the provisions of the Agreement.

The parties agree that they intend to install power generation systems at the new Westside WWTP and the expanded Hamestring sewer lift station at the appropriate time during the construction sequencing for each of these facilities, and that they intend to amortize the cost of each of these systems over a five year period. The parties will amend this Appendix L as necessary to address the terms and conditions agreed upon with respect to the power generation systems to be installed at the Westside WWTP and the Hamestring sewer lift station.

Attachment 1 to Appendix L

ESTIMATED AMORTIZATION SCHEDULE

Amortization Table

LOAN DATA

Loan amount: 762,645.00
Annual interest rate: 7.00%
Term in years: 5
Payments per year: 12
First payment due: 5/1/2005

TABLE DATA

Table starts at date:
or at payment number: 1

PERIODIC PAYMENT

Entered payment:
Calculated payment: $15,101.29

CALCULATIONS

Use payment of: $15,101.29
1st payment in table: 1
Beginning balance at payment 1: $762,645.00
Cumulative interest prior to payment 1: $0.00

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	5/1/2005	762,645.00	4,448.76	10,652.52	751,992.48	4,448.76
2	6/1/2005	751,992.48	4,386.62	10,714.66	741,277.82	8,835.39
3	7/1/2005	741,277.82	4,324.12	10,777.16	730,500.65	13,159.51
4	8/1/2005	730,500.65	4,261.25	10,840.03	719,660.62	17,420.76
5	9/1/2005	719,660.62	4,198.02	10,903.26	708,757.35	21,618.78
6	10/1/2005	708,757.35	4,134.42	10,966.87	697,790.49	25,753.20
7	11/1/2005	697,790.49	4,070.44	11,030.84	686,759.65	29,823.64
8	12/1/2005	686,759.65	4,006.10	11,095.19	675,664.46	33,829.74
9	1/1/2006	675,664.46	3,941.38	11,159.91	664,504.55	37,771.12
10	2/1/2006	664,504.55	3,876.28	11,225.01	653,279.54	41,647.39
11	3/1/2006	653,279.54	3,810.80	11,290.49	641,989.05	45,458.19
12	4/1/2006	641,989.05	3,744.94	11,356.35	630,632.71	49,203.13
13	5/1/2006	630,632.71	3,678.69	11,422.59	619,210.11	52,881.82
14	6/1/2006	619,210.11	3,612.06	11,489.23	607,720.89	56,493.88
15	7/1/2006	607,720.89	3,545.04	11,556.25	596,164.64	60,038.91
16	8/1/2006	596,164.64	3,477.63	11,623.66	584,540.98	63,516.54
17	9/1/2006	584,540.98	3,409.82	11,691.46	572,849.52	66,926.36
18	10/1/2006	572,849.52	3,341.62	11,759.66	561,089.86	70,267.99
19	11/1/2006	561,089.86	3,273.02	11,828.26	549,261.59	73,541.01
20	12/1/2006	549,261.59	3,204.03	11,897.26	537,364.34	76,745.04
21	1/1/2007	537,364.34	3,134.63	11,966.66	525,397.68	79,879.66
22	2/1/2007	525,397.68	3,064.82	12,036.47	513,361.21	82,944.48
23	3/1/2007	513,361.21	2,994.61	12,106.68	501,254.53	85,939.09
24	4/1/2007	501,254.53	2,923.98	12,177.30	489,077.23	88,863.07
25	5/1/2007	489,077.23	2,852.95	12,248.33	476,828.90	91,716.02
26	6/1/2007	476,828.90	2,781.50	12,319.78	464,509.11	94,497.53
27	7/1/2007	464,509.11	2,709.64	12,391.65	452,117.47	97,207.16
28	8/1/2007	452,117.47	2,637.35	12,463.93	439,653.53	99,844.51
29	9/1/2007	439,653.53	2,564.65	12,536.64	427,116.89	102,409.16
30	10/1/2007	427,116.89	2,491.52	12,609.77	414,507.12	104,900.67

Amortization Table

LOAN DATA

Loan amount:	$762,645.00
Annual interest rate:	7.00%
Term in years:	5
Payments per year:	12
First payment due:	5/1/2005

TABLE DATA

Table starts at date:	
or at payment number:	1

PERIODIC PAYMENT

Entered payment:	
Calculated payment:	$15,101.29

CALCULATIONS

Use payment of:	$15,101.29	Beginning balance at payment 1:	$762,645.00
1st payment in table:	1	Cumulative interest prior to payment 1:	$0.00

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
31	11/1/2007	414,507.12	2,417.96	12,683.33	401,823.80	107,318.63
32	12/1/2007	401,823.80	2,343.97	12,757.31	389,066.48	109,662.61
33	1/1/2008	389,066.48	2,269.55	12,831.73	376,234.75	111,932.16
34	2/1/2008	376,234.75	2,194.70	12,906.58	363,328.17	114,126.86
35	3/1/2008	363,328.17	2,119.41	12,981.87	350,346.30	116,246.28
36	4/1/2008	350,346.30	2,043.69	13,057.60	337,288.70	118,289.96
37	5/1/2008	337,288.70	1,967.52	13,133.77	324,154.93	120,257.48
38	6/1/2008	324,154.93	1,890.90	13,210.38	310,944.55	122,148.38
39	7/1/2008	310,944.55	1,813.84	13,287.44	297,657.11	123,962.23
40	8/1/2008	297,657.11	1,736.33	13,364.95	284,292.16	125,698.56
41	9/1/2008	284,292.16	1,658.37	13,442.91	270,849.24	127,356.93
42	10/1/2008	270,849.24	1,579.95	13,521.33	257,327.91	128,936.89
43	11/1/2008	257,327.91	1,501.08	13,600.21	243,727.71	130,437.97
44	12/1/2008	243,727.71	1,421.74	13,679.54	230,048.17	131,859.71
45	1/1/2009	230,048.17	1,341.95	13,759.34	216,288.83	133,201.66
46	2/1/2009	216,288.83	1,261.68	13,839.60	202,449.23	134,463.34
47	3/1/2009	202,449.23	1,180.95	13,920.33	188,528.90	135,644.30
48	4/1/2009	188,528.90	1,099.75	14,001.53	174,527.37	136,744.05
49	5/1/2009	174,527.37	1,018.08	14,083.21	160,444.16	137,762.12
50	6/1/2009	160,444.16	935.92	14,165.36	146,278.80	138,698.05
51	7/1/2009	146,278.80	853.29	14,247.99	132,030.80	139,551.34
52	8/1/2009	132,030.80	770.18	14,331.11	117,699.70	140,321.52
53	9/1/2009	117,699.70	686.58	14,414.70	103,285.00	141,008.10
54	10/1/2009	103,285.00	602.50	14,498.79	88,786.21	141,610.60
55	11/1/2009	88,786.21	517.92	14,583.37	74,202.84	142,128.52
56	12/1/2009	74,202.84	432.85	14,668.44	59,534.41	142,561.37
57	1/1/2010	59,534.41	347.28	14,754.00	44,780.40	142,908.65
58	2/1/2010	44,780.40	261.22	14,840.07	29,940.34	143,169.87
59	3/1/2010	29,940.34	174.65	14,926.63	15,013.71	143,344.52
60	4/1/2010	15,013.71	87.58	15,013.71	0.00	143,432.10

Acct #	Month	kWh	Off Peak Demand	Peak kW	Fuel Cost	Debt Cost	Usage Cost stnd Rate	$ Off Peak (best case)	$ Off Peak (worse case)
86778-001	Oct-04	967,200.00	1,920.00	0.00	-0.000057	0.003750	41,687.60	$26,629.20	$49,669.20
86778-001	Sep-04	1,033,200.00	1,920.00	0.00	0.000367	0.002520	43,568.60	$28,147.20	$51,187.20
86778-001	Aug-04	1,119,600.00	1,968.00	0.00	0.000750	0.002520	46,377.56	$30,239.04	$53,855.04
86778-001	Jul-04	1,024,800.00	2,160.00	0.00	0.001464	0.002520	45,062.00	$28,477.20	$54,397.20
86778-001	Jun-04	1,051,200.00	2,160.00	0.00	0.003093	0.003720	45,814.40	$29,084.40	$55,004.40
86778-001	May-04	898,800.00	2,160.00	0.00	0.003636	0.00114	41,471.00	$25,579.20	$51,499.20
86778-001	Apr-04	1,140,000.00	2,160.00	0.00	0.001515	0.00114	48,345.20	$31,126.80	$57,046.80
86778-001	Mar-04	834,000.00	2,160.00	0.00	-0.002168	0.00075	39,624.20	$24,088.80	$50,008.80
86778-001	Feb-04	1,095,600.00	2,160.00	0.00	0.001774	0.00075	47,079.80	$30,105.60	$56,025.60
86778-001	Jan-04	868,800.00	2,160.00	0.00	0.002606	0.00075	40,616.00	$24,889.20	$50,809.20
86778-001	Dec-03	1,066,800.00	2,160.00	0.00	-0.003987	0.00156	46,259.00	$29,443.20	$55,363.20
86778-001	Nov-03	1,074,000.00	2,160.00	0.00	-0.001582	0.00156	46,464.20	$29,608.80	$55,528.80
	Total	12,174,000.00			0.007411	0.022680	$532,369.56	$337,418.64	$640,394.64

The figures above are directly from Ozarks Electric and reflect the absolute 'best case' scenario for potential savings. There will be costs to operate and maintain the generation equipment, which will directly offset the potential savings in a given year, as well as the very real potential that we may miss one or more of the coincidental peak demand periods and end up 'saving' something less than is described by these figures. One other thing of importance to note is that these figures are based on a 'fully loaded' Noland treatment plant, and the potential savings will be less when the West Side plant comes on line. The current estimation of a five year period during which the potential savings should come close to equaling the actual costs is considered to be as accurate as can be determined at this point in time.

Schedule of action items related to installation of power generation equipment at the Paul R. Noland wastewater treatment facility by Power Secure in 2005.

Action	Date
Agreement Signing	1/18/05
Receipt of IDG® System Submittal	2/18/05
Equipment Shipping Date to Site	5/16/05
Substantial Completion of Installation	5/23/05
Final Commissioning/Start-up	6/1/05

FAYETTEVILLE

THE CITY OF FAYETTEVILLE, ARKANSAS

DEPARTMENTAL CORRESPONDENCE

TO: **Mayor Dan Coody**
City Council

COPY: David Jurgens, Steve Davis

FROM: Matt Taylor

DATE: February 2, 2005

RE: **Noland Treatment Plant Generator - Potential Savings Calculations**

Attached is a spreadsheet that contains information about the potential cost savings from the use of a 2 megawatt generator at the Noland Treatment Plant.

The spreadsheet was developed by Power Secure and is well detailed. It is based on the 12 month period from February 2003 – January 2004 and shows a gross potential savings of approximately $206,000 per year.

A second spreadsheet was developed based on information obtained directly from Ozarks Electric (from Keith Kaderly, our customer service representative) that used the 12 month period from November 2003 – October 2004. It was slightly less detailed than the attached spreadsheet, but it indicated a gross potential savings of approximately $195,000 per year.

Both values were in relative agreement, but we reduced our estimate of the potential savings to $150,000 per year to account for lower predicted flows at the plant and the cost of diesel fuel to operate the generator. Based on the information available, the savings estimate of $150,000 per year is very conservative.

If you have any questions please feel free to call me at 575-8318, or I can address questions at the meeting on Tuesday.

Example of Potential Savings that could be Achieved by Switching to Ozark's Electric Cooperative's Large Power Off-Peak Rate

Paul Noland Wastewater Treatment Facility
1400 N. Fox Hunter Road
Fayetteville, AR 72701
Ozarks Electric Acct. # 86778

Large Power Over 350 kVa Charges	
Service Charge:	$260.00
NCP Billing Demand Charge:	$2.18
First 150 kWh, per kW	$0.06210
Excess kWh:	$0.02850

Cost for Consumption Under the Large Power Over 350 kVa Rate Schedule

Month	* Billing Demand	kWh	Customer Charge	NCP Billing Demand Charge	Energy Charge 1st 150 kWh per kW	Energy Charge Excess kWh	Fuel Cost Adjustment	Debt Cost Adjustment	County Tax (1.5%)	State Tax (6.0%)	Total
Feb-03	2,160	1,310,400	$260.00	$4,708.80	$20,120.40	$28,112.40	-$1,231.78	$2,542.18	$817.68	$3,270.72	$58,600.40
Mar-03	2,160	1,300,800	$260.00	$4,708.80	$20,120.40	$27,838.80	$2,275.10	$2,523.55	$865.90	$3,463.60	$62,056.15
Apr-03	2,160	1,402,800	$260.00	$4,708.80	$20,120.40	$30,745.80	-$1,374.74	$5,218.42	$895.18	$3,580.72	$64,154.57
May-03	2,160	1,300,800	$260.00	$4,708.80	$20,120.40	$27,838.80	$4,729.71	$1,482.91	$887.11	$3,548.44	$63,576.17
Jun-03	2,160	1,392,000	$260.00	$4,708.80	$20,120.40	$30,438.00	$2,108.88	$1,586.88	$888.34	$3,553.38	$63,664.68
Jul-03	2,160	1,216,800	$260.00	$4,708.80	$20,120.40	$25,444.80	-$2,640.46	$912.60	$732.09	$2,928.37	$52,466.60
Aug-03	2,160	1,150,800	$260.00	$4,708.80	$20,120.40	$23,563.80	$2,041.52	$863.10	$773.36	$3,093.46	$55,424.44
Sep-03	2,160	1,201,200	$260.00	$4,708.80	$20,120.40	$25,000.20	$3,130.33	$900.90	$811.81	$3,247.24	$58,179.67
Oct-03	2,160	1,017,600	$260.00	$4,708.80	$20,120.40	$19,767.60	-$4,060.22	$1,587.46	$635.76	$2,543.04	$45,562.83
Nov-03	2,160	1,074,000	$260.00	$4,708.80	$20,120.40	$21,375.00	-$1,696.92	$1,675.44	$698.64	$2,788.56	$49,925.92
Dec-03	2,160	1,066,800	$260.00	$4,708.80	$20,120.40	$21,169.80	-$3,659.12	$1,664.21	$663.96	$2,655.85	$47,583.89
Jan-04	2,160	868,800	$260.00	$4,708.80	$20,120.40	$15,526.80	-$973.06	$1,685.47	$619.93	$2,479.70	$44,428.05
		14,302,800	$3,120.00	$56,505.60	$241,444.80	$298,821.80	-$1,350.77	$22,643.11	$9,287.77	$37,151.07	$665,623.39

* Billing demand of 2,160 kW, established during the summer of 2003, is used for all months covered by this analysis.

Annual Generator Run Hours: 100 Hours

Prime Generator Capacity: 2,000 kW

Fuel Cost per Kilowatt-hour: $0.08 / kWh

Large Power Off-Peak Charges	
Service Charge:	$198.00
NCP Billing Demand Charge:	$2.18
On-Peak Demand Charge:	$12.00
Energy Charge:	$0.0230

Cost for Consumption Under the Large Power Off-Peak Rate Schedule with Generator Operation

Month	NCP Billing Demand	# On-Peak Billing Demand	Metered kWh	Generated kWh	Service Charge	NCP Billing Demand Charge	On-Peak Billing Demand Charge	Energy Charge	Fuel Cost Adjustment	Debt Cost Adjustment	County Tax (1.5%)	State Tax (6.0%)	Total
Feb-03	2,160	160	1,310,400	0	$198.00	$4,708.80	$1,920.00	$30,139.20	-$1,231.78	$2,542.18	$574.15	$2,296.58	$41,147.13
Mar-03	2,160	160	1,300,800	0	$198.00	$4,708.80	$1,920.00	$29,918.40	$2,275.10	$2,523.55	$623.16	$2,492.63	$44,659.64
Apr-03	2,160	160	1,402,800	0	$198.00	$4,708.80	$1,920.00	$32,264.40	-$1,374.74	$5,218.42	$644.02	$2,576.09	$46,154.99
May-03	2,160	160	1,300,800	0	$198.00	$4,708.80	$1,920.00	$29,918.40	$4,729.71	$1,482.91	$644.37	$2,577.47	$46,179.66
Jun-03	2,160	160	1,338,000	54,000	$198.00	$4,708.80	$1,920.00	$30,774.00	$2,027.07	$1,525.32	$617.30	$2,469.19	$44,239.68
Jul-03	2,160	160	1,162,800	54,000	$198.00	$4,708.80	$1,920.00	$26,744.40	-$2,523.28	$872.10	$478.80	$1,915.20	$34,314.03
Aug-03	2,160	160	1,096,800	54,000	$198.00	$4,708.80	$1,920.00	$25,226.40	$1,945.72	$822.60	$522.32	$2,089.29	$37,433.14
Sep-03	2,160	160	1,147,200	54,000	$198.00	$4,708.80	$1,920.00	$26,385.60	$2,989.60	$860.40	$555.94	$2,223.74	$39,842.08
Oct-03	2,160	160	1,017,600	0	$198.00	$4,708.80	$1,920.00	$23,404.80	-$4,060.22	$1,587.46	$416.38	$1,665.53	$29,840.74
Nov-03	2,160	160	1,074,000	0	$198.00	$4,708.80	$1,920.00	$24,702.00	-$1,696.92	$1,675.44	$472.61	$1,890.44	$33,870.37
Dec-03	2,160	160	1,066,800	0	$198.00	$4,708.80	$1,920.00	$24,536.40	-$3,659.12	$1,664.21	$440.52	$1,762.10	$31,570.91
Jan-04	2,160	160	868,800	0	$198.00	$4,708.80	$1,920.00	$19,982.40	-$973.06	$1,685.47	$412.82	$1,651.30	$29,585.74
			14,086,800	216,000	$2,376.00	$56,505.60	$23,040.00	$323,996.40	-$1,551.92	$22,460.05	$6,402.39	$25,609.57	$458,838.10
				14,302,800									

Assumes that facility demand is peaking simultaneously with AECC peak demand (worst case scenario)

Note: Load changes at the facility will affect savings.

Estimated Large Power Over 350 kVa Annual Charge:	$665,623.39
Estimated Large Power Off-Peak Annual Charge:	$458,838.10
Estimated Annual Savings:	$206,785.29
Percent Annual Savings:	31.07%

RESOLUTION NO. ______

A RESOLUTION APPROVING AMENDMENT NO. 12 TO THE CONTRACT WITH OPERATIONS MANAGEMENT INTERNATIONAL (OMI); AND APPROVING A BUDGET ADJUSTMENT TRANSFERRING $887,000.00 FROM USE OF FUND BALANCE TO THE WASTEWATER TREATMENT PLANT GENERATOR CAPITAL PROJECT.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby approves Amendment No. 12 to the contract with Operations Management International (OMI). A copy of Amendment No. 12, marked Exhibit "A" is attached hereto, and made a part hereof.

Section 2. That the City Council of the City of Fayetteville, Arkansas hereby approves a budget adjustment transferring $887,000.00 from Use of Fund Balance to the Wastewater Treatment Plant Generator Capital Project.

PASSED and **APPROVED** this 8th day of February 2005.

APPROVED:

By: ____________________
DAN COODY, Mayor

ATTEST:

By: ____________________
SONDRA SMITH, City Clerk

AMENDMENT NO. 12

TO

AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES FOR THE CITY OF FAYETTEVILLE, ARKANSAS WASTEWATER TREATMENT PLANT

THIS AMENDMENT NO. 12 to the Agreement for Operations, Maintenance and Management Services for the City of Fayetteville, Arkansas Wastewater Treatment Plant dated September 1, 1994 (the "Agreement"), made effective on the 1st day of January, 2005, by and between the City of Fayetteville, Arkansas, whose address for any formal notice is 113 W. Mountain St, Fayetteville, Arkansas 72701 (hereinafter the "City") and Operations Management International, Inc., with offices at 9193 S. Jamaica Street, Suite 400, Englewood, Colorado 80112 (hereinafter "OMI") is made and entered into for purposes of amending certain provisions of the Agreement, to prevent the facilities covered by the Agreement from being deemed to be used in the trade or business of OMI pursuant to Section 141 (b) of the Internal Revenue Code of 1986, as amended.

NOW THEREFORE, the City and OMI agree to amend the Agreement as follows:

1. Article 4.1 is hereby deleted in its entirety and replaced with the following Article 4.1:

   4.1 For services rendered during calendar year 2005 the City of Fayetteville shall pay to OMI the actual cost of services performed plus an annualized management fee of Eighty One Thousand Six Hundred Ninety Seven Dollars and Eighty Six Cents. ($81,697.86). Said fee and estimated cost (base fee) shall be paid in twelve (12) equal monthly installments. The management fee for subsequent years will be determined proportional to the increase in estimated cost.

2. Article 4.3 is hereby deleted in its entirety and replaced with the following Article 4.3:

   4.3 OMI estimates the cost for services for calendar year 2005 shall be Five Million Three Hundred Twenty Seven Thousand Two Hundred Fifty Two Dollars and Eighty-Nine Cents ($5,327,252.89). Details of said cost are shown in Appendix J. The base fee shall be negotiated each year in September for the upcoming calendar year. Should the City and OMI fail to agree, the base fee will be determined by the application of the base fee adjustment formula shown in Appendix F. Should the actual expenditures exceed estimated expenditures by more than Twenty Thousand Dollars ($20,000), in any year of this Agreement, specific approval will be obtained from the City prior to OMI incurring additional costs.

3. A new Appendix L is added in the form attached hereto.

This Amendment No. 12 together with the Agreement, constitutes the entire agreement between the Parties and supersedes all prior oral and written understandings with respect to the subject matter set forth herein. Unless specifically stated all other terms and conditions of the Agreement shall remain in full force and effect. Neither this Amendment nor the Agreement may be modified except in writing signed by an authorized representative of the Parties.

The Parties, intending to be legally bound, indicate their approval of the Amendment by their signatures below.

OPERATIONS MANAGEMENT INTERNATIONAL, INC.

Roger B. Quayle
Senior Vice President
Date:______________________

CITY OF FAYETTEVILLE

Dan Coody
Mayor
Date:______________________

APPROVED AS TO FORM:

Kit Williams
City Attorney
Date:______________________

Appendix J

COST DETAIL

The annualized estimated costs for calendar year 2005 are as follows:

Description		Existing 2005 Estimated Costs		Amended 2005 Estimated Costs
Direct Labor & Benefits	$	1,671,071.00	$	1,671,071.00
Labor Markup	$	501,321.00	$	501,321.00
Electricity	$	642,720.00	$	588,480.00
Electrical Markup	$	-	$	-
Other Direct Costs	$	1,288,073.00	$	1,306,961.16
Other Direct Costs Markup	$	128,807.00	$	130,696.12
Subtotal	**$**	**4,231,992.00**	**$**	**4,198,529.28**
Fixed Fee	$	82,349.00	$	81,697.86
Lift Station Odor Control	$	69,362.00	$	69,362.00
Capital Item Amortization	$	100,622.00	$	100,622.00
Power Generator Project				
Equipment Costs	$	-	$	762,645.00
Construction Management	$	-	$	114,396.75
Total Est. O & M Budget	**$**	**4,484,325.00**	**$**	**5,327,252.89**
Total Est. Annualized Budget	$	4,484,325.00	$	5,327,252.89
Estimated Increase			$	842,927.89

The following are some of the major reasons for cost circumstances:

1. Continued increase in the efficient use of technological automation and job-sharing within the OMI network.

2. Continued upward pressure on the cost of fuel and vehicle expenses.

3. Ever increasing cost to maintain community-expected high level of performance with many pieces of equipment nearing the end of their life cycle and destined to be replaced or upgraded as part of the ongoing Wastewater Improvement Project.

4. Continued population growth causing a related increase in sludge production and ultimate sludge disposal costs.

5. Additional costs for maintenance of 4-5 new sewage lift stations during the next year.

6. Potentially less expensive sludge disposal alternatives continue to be evaluated, which may or may not become feasible within the next 12 months.

7. Addition of the Power Generator Project as described in Appendix L hereto.

Appendix L

POWER GENERATOR PROJECT - SCOPE OF WORK

Due to significantly increased emphasis on preventing all possible wastewater overflows and/or interruptions in wastewater treatment capability by the Arkansas Department of Environmental Quality and the United States Environmental Protection Agency, as well as currently available favorable electrical rate structures it has become necessary for the City to install full-backup 2 megawatt power generation equipment at the Paul R. Noland wastewater treatment plant (WWTP).

The City has reviewed available options and has determined that it desires to install a power generation system manufactured by PowerSecure, Inc. The cost of the power generation equipment (the "Equipment") to effect the implementation of the power generation system at the Noland WWTP, including applicable sales taxes and a four-year extended warranty, is estimated to be $762,645.00

OMI hereby agrees to procure and manage the construction of the Equipment on behalf of the City during calendar year 2005. The costs for managing the construction of the Equipment will be $114,396.75 and the City hereby agrees that it will repay the purchase price of and construction management costs for the Equipment to OMI over the remainder of the calendar year 2005 in equal monthly installments in accordance with Article 5.1 of the Agreement.

Copies of purchase orders, bills of sale or invoices evidencing OMI's purchase will be furnished to the City upon request.

Title to and risk of loss for the Equipment will reside with the City at all times.

Notwithstanding the foregoing, if for any reason the Agreement is terminated by either party prior to the end of calendar year 2005; the City will pay to OMI the remaining balance due for the Equipment and the construction management fee, in full, within thirty (30) days following termination.

Costs for diesel fuel will be provided directly by the City of Fayetteville as described in Article 3.8 of the Agreement. Costs for natural gas, applicable taxes, insurance, maintenance, and monitoring fees will be included in the actual cost of services as shown in Appendix J.

Noland Wastewater Treatment Plant Improvements
Standby Generator Options

The Noland Plant improvements project presents an opportunity for the City to invest in a standby electrical generator that is larger than the minimum required for emergency operation purposes, but which will result in significant annual savings through a reduction in the rate paid for electricity throughout the year.

Option 1.

The least expensive option in terms of capital cost is to install a 750kW generator at the facility to operate only critical equipment. It will not be large enough to operate all treatment equipment. The generator will operate screening equipment and other critical items and wastewater will be pumped to storage for later treatment when electric power is restored. This approach is acceptable to the regulatory agencies, but is labor intensive and could result in a discharge of inadequately treated wastewater during extended power outages. The capital cost of this option is approximately $450,000. The labor costs will vary from year to year depending on the frequency and duration of power outages to the treatment facility.

Option 2.

A second option is to purchase a generator large enough (2000kW) to power significantly more of the treatment processes during outages and reduce reduce the electric power demands of the treatment facility during peak periods. This minimizes the chance of a discharge of partially treated waste, but more importantly it decreases both the rate paid for electrical power the plant and the total power purchased. If a 2000kW generator is installed and operated strategically, it will lower the annual electrical bill at the facility by approximately $150,000 per year. OMI has been in contact with a company that buys generators on a volume basis, manufactures the switch gear necessary to place a generator in service, and provides the majority of the installation and start-up services necessary. The cost for all equipment, installation, start-up, and project management/coordination by OMI would be $877,042. This is approximately $430,000 more than the cost of the minimum generator required, but the annual power cost savings would recover this additional capital cost in roughly 3 years. The generator should have a useful life of at least 15 years, so the total savings recognized could be as high as $1.8M over 15 years. If electric costs increase over the years, the savings would be even greater.

If this new generator can be installed and in service by June 1, 2005 the City will be on the new, reduced rate structure on January 1, 2006 and will begin to realize monthly power cost savings at that time. If the generator is not on-line by June 1st, the reduced rates will not take effect until one year later (January 1, 2007) and one full year of potential savings ($150,000) will be lost. They have indicated that a signed, formal approval no later than February 15th should allow the work to be completed in advance of June 1, 2005.

Option 2A.

A variation of Option 2 above is for the City to pay to have a system designed, solicit bids for a generator, and contract with an electrical contractor for the installation and start-up of the system. Although this approach could work, there are several reasons it is not economical at this time. First, whether the City buys one or several generators, it will not receive the same price as a large vendor that purchases dozens or hundreds of generators per year. Second, the switch-gear and controls to utilize this generator for peak-shaving use (to reduce electric rates paid at the plant) are specialized and not widely manufactured. The purchase price for to the City or a local electrical contractor would be significantly higher than for a vendor that either manufactures this equipment or buys it in bulk. Third, the City is likely to pay more to both the installer and OMI if equipment is purchased from various sources and they are expected to integrate those materials and put them into service. If multiple suppliers and product representatives are involved, there is also an increased risk of disputes and delays. Finally, and possibly most importantly, is timing. If the generator is not on-line by June 1st, one full year of potential savings ($150,000) will be lost.

SCOPE OF POWERSECURE SERVICES

In general, PowerSecure (PS) will provide the following services to serve The Paul R. Noland Wastewater Treatment Facilities in Fayetteville, Arkansas.

2000 kW Standby; 1825 kW Prime; 480Y/277V; CAT Bi-Fuel Generator
Sound Attenuated to 75db at 10 meters

PS will provide all work necessary for the complete installation of the system, including but not limited to:

1. Site Preparation
2. Excavation
3. Concrete Pads
4. Primary Electrical Interconnection
5. Medium Voltage Recloser
6. Power Transformer
7. NexGear® Advanced Paralleling Switchgear
8. CAT Engine Generator
9. Weatherproof Enclosure
10. Engine Generation System Auxiliary Systems
11. Power Feeders
12. Control Wiring
13. In-Service Training
14. Operations Manuals

PS will provide all engineering and design services necessary to complete construction documents for this project in accordance with the State of Arkansas, including construction documents signed and sealed by a Registered Professional Engineer of Record in Arkansas.

The Generation System will include:

Engine Generator Set including:

a. Permanent Magnet Generator
b. Electronic Engine Governor
c. Charging Alternator 24V
d. Lead Acid Batteries, Rack and Battery Charger
e. Engine Cooling System
f. Exhaust System with Silencer
g. Double Wall (UL142), 3000 Gallon Sub-base Tank with Level Sensors.
h. Weather Resistant Enclosure
i. Lubricating Oil and Antifreeze – Initial fill
IV. Bi-Fuel System

Each CAT 3516B Engine Generator will be equipped with a Series IV-B PowerSecure Standard Bi-Fuel Conversion System. Each Bi-Fuel System shall include a gas train kit and control system accessory kit.

PS will provide a NexGear® Advanced Paralleling Switchgear (APS) for each generation system to provide the following Modes of Operation:

1. Load Management Mode: Long-term Synchronized/Parallel Operation with Ozark Electric Cooperative

2. Islanding Mode: Short-term Synchronized Operation with Ozark Electric Cooperative followed by a Make-Before-Break Separation from Ozark Electric Cooperative.

3. Standby Mode: During Ozark Electric Cooperative outages, each system will provide the following Automatic, Dead Bus, Block Load Transfer of a maximum of 2000kW

4. Test Mode: Synchronized/Paralleled Operation at Full Load, without Interruption of facility's Normal Electrical Service.

Each APS will utilize a Woodward Controller, Cutler Hammer System Circuit Breaker(s), Beckwith Utility Grade Multifunction Intertie Relay(s), and all U.L. listed components.

Each APS will include all necessary functions to prevent connection or parallel operation of the IDG® System with Ozark Electric Cooperative unless the service voltage and frequency are of normal magnitude, and will meet Ozark Electric Cooperative published interconnection requirements.

PS will utilize their in-house licensed Electrical Construction Group to provide a fully coordinated installation. The PS Project Manager will serve as the single point interface with Ozark Electric Cooperative during construction/start-up and will be present on-site for all critical activities and key construction milestones.

The entire system comes standard with a one year warranty, and the City has elected to purchase an additional four year extended warranty.

PS will provide onsite in-service training on the operation and maintenance of the system..

OMI

MEMORANDUM

TO: David Jurgens
Matt Taylor

FROM: Billy Ammons

DATE: January 31, 2005

SUBJECT: Purchase of Power Secure Generator

The subject of backup power generation for the existing and proposed wastewater treatment facilities has been discussed on numerous occasions over the past year or so with all interested parties, including Greg Boettcher, OMI employees, and consultants from Burns & McDonnell(BM)-Black & Veatch (BV)-McGoodwin, Williams & Yates (MWY), and various other sub-consultants. At least one vendor presentation on this subject was also held during 2004 at the offices of MWY. Due to the extreme complexities involved with this subject, however, no resolution had been reached as of October 2004.

A meeting was scheduled at the Noland WWTP to allow a company called Power Secure to present their concept of backup power generation and the use of the 'Off-Peak' rate structure available in Arkansas to help offset the cost of the generators. Representatives of BM, BV, MWY, OMI, and the City were present on 28 October. The presentation was well received and the general consensus of the group was that this was the best alternative yet proposed and the direction that should be pursued. The cost estimates available from electrical sub-consultants ranged from \$850,000 - \$1,000,000 for a similar system, and the Power Secure system final cost of \$877,042 after complete configuration was thought to be extremely competitive, especially for a completely integrated turnkey system.

After much discussion, it was determined that due to the somewhat fragmented procurement schedule for the separate Wastewater System Improvement Project (WSIP) contracts, procuring the equipment from Power Secure or any specific single vendor would be very difficult. The suggestion was made that the generators be procured in a manner similar to the highly successful belt-filter-press negotiated purchase, which resulted in an expedited purchase and great savings for the City. Greg Boettcher indicated that the BFP procurement model could not be followed exactly, since there was not an existing generator to show the need for standardization. Mr. Boettcher did suggest that OMI could purchase the generators on behalf of the City and that the City would then pay back the costs for the generators over a five year period, thus extending OMI's contract for an additional five years while at the same time allowing the City to pay for the generators from the savings acquired by going to the 'Off-Peak' rate structure in a positive cash-flow scenario.

OMI agreed to examine this arrangement and investigate additional alternatives if available, then present a solution to the City. Everyone at the meeting recognized the need for quick action, as the deadlines for moving forward on each of the major construction contracts was drawing near. Over the next few weeks, OMI contacted NexGen, a company who has provided similar services to those proposed by Power Secure at OMI projects in the Northeastern U.S., in an attempt to secure competitive pricing for the Fayetteville generator project. After reviewing the application and the specific requirements of the Fayetteville facilities, however, NexGen declined to provide a competitive price or even to indicate that they would be willing to participate in any way.

Since no other viable alternative was readily apparent and the City and their consultants had previously agreed that the Power Secure option appeared to be the most practical, OMI subsequently met with Power Secure officials and investigated various contract options between OMI, Power Secure, and the City that might accomplish the desired result while still providing all parties adequate protection. After several discussions with City officials, it has been decided to purchase only one generator at this time, install the generator at the Noland facility, and move to the 'Off-Peak' rate structure as soon as possible. The purchase of this generator and accompanying switchgear as a turnkey system from Power Secure has been determined to be the only viable alternative. To this end, a proposed contract amendment between OMI and the City that directs OMI to affect this purchase and installation has been drafted and will be presented to the City Council for approval on Tuesday February 1st.

Burns & McDonnell
SINCE 1898

Date: February 1, 2005

To: Matt Taylor
Jerry Sonderegger
Jim Norris

From: Brian Foy

Re: Power Secure Estimate

The lead electrical cost estimator at Burns & McDonnell has completed a cursory review of the Power Secure estimate. He has been with Burns & McDonnell for 15 years and prior to that was an estimator for an electrical contracting company for 10 years. He has done many estimates on projects with generators and has worked closely with manufacturer's representatives on these projects.

The evaluation was based upon a review of manufacturer cut-sheets and a scope-of-work provided by Power Secure. Two quotes were received, on a budgetary basis, from different generator vendors who believed they could meet the requirements of this project. After applying the installation labor, materials, contractor overhead and markups to the equipment quotes, our estimator arrived at a budgetary cost of approximately $800,000.

The evaluation was cursory in nature and should be used for rough budgetary purposes only. If you have any questions regarding the cost review, please feel free to contact me at 816-822-3039.

9400 Ward Parkway
Kansas City, Missouri 64114-3319
Tel: 816 333-9400
Fax: 816 333-3690
www.burnsmcd.com

City of Fayetteville, Arkansas
Budget Adjustment Form

Budget Year	Department: Operations Division: Fleet Operations Program: Capital Expenditures	Date Requested	Adjustment Number
2005		2/15/2005	

Project or Item Requested:
$887,000 is need in the Wastewater Treatment Plant Generator capital project.

Project or Item Deleted:
None. $887,000 from the Use of Fund Balance account.

Justification of this Increase:
The funding is needed for the purchase of a generator system for the wastewater treatment plant.

Justification of this Decrease:
There are sufficient funds available in the Water & Sewer Fund for this request.

Increase Budget (Decrease Revenue)

Account Name	Account Number				Amount	Project Number	
Fixed assets	5400	5800	5801	00	887,000	05026	1

Decrease Budget (Increase Revenue)

Account Name	Account Number				Amount	Project Number	
Use of fund balance	5400	0940	4999	99	887,000		

Approval Signatures

Requested By — Date

[signature] — 2-7-05
Budget Manager — Date

Department Director — Date

Finance & Internal Services Director — Date

Mayor — Date

Budget Office Use Only

Type: A B C D E

Date of Approval — Initial — Date

Posted to General Ledger — Initial — Date

Posted to Project Accounting — Initial — Date

Entered in Category Log — Initial — Date

Mayor Dan Coody

City Attorney Kit Williams

City Clerk Sondra Smith

Fayetteville
ARKANSAS

Aldermen

Ward 1 Position 1 - Robert Reynolds
Ward 1 Position 2 - Brenda Thiel
Ward 2 Position 1 - Kyle B. Cook
Ward 2 Position 2 - Don Marr
Ward 3 Position 1 - Robert K. Rhoads
Ward 3 Position 2 – Bobby Ferrell
Ward 4 Position 1 - Shirley Lucas
Ward 4 Position 2 - Lioneld Jordan

Final Agenda
Special City Council Meeting
February 8, 2005

A Special meeting of the Fayetteville City Council will be held on February 8, 2005 at 6:00 p.m. in Room 219 of the City Administration Building located at 113 West Mountain Street, Fayetteville, Arkansas.

Call to Order

Roll Call

Pledge of Allegiance

A. **Old Business:**

OMI Contract Amendment No. 11 (A): A resolution approving amendment No. 11 (A) to the contract with Operations Management International (OMI) in the amount of $76,693.10 for extending the term of the agreement for operations, maintenance and management services and additional five (5) years; and approving a budget adjustment transferring $76,693.00 from Use of Fund Balance to PCP Operation Contract Fund. ***This resolution was tabled at the January 18, 2005 City Council Meeting to the February 1, 2005 City Council Meeting. This item was tabled at the February 1, 2005 City Council meeting to a Special City Council meeting on February 8, 2005.***

FAYETTEVILLE

THE CITY OF FAYETTEVILLE, ARKANSAS

DEPARTMENTAL CORRESPONDENCE

TO: **Mayor Dan Coody**
City Council

COPY: David Jurgens, Steve Davis

FROM: Matt Taylor

DATE: February 2, 2005

RE: **Noland Treatment Plant Generator - Potential Savings Calculations**

Attached is a spreadsheet that contains information about the potential cost savings from the use of a 2 megawatt generator at the Noland Treatment Plant.

The spreadsheet was developed by Power Secure and is well detailed. It is based on the 12 month period from February 2003 – January 2004 and shows a gross potential savings of approximately $206,000 per year.

A second spreadsheet was developed based on information obtained directly from Ozarks Electric (from Keith Kaderly, our customer service representative) that used the 12 month period from November 2003 – October 2004. It was slightly less detailed than the attached spreadsheet, but it indicated a gross potential savings of approximately $195,000 per year.

Both values were in relative agreement, but we reduced our estimate of the potential savings to $150,000 per year to account for lower predicted flows at the plant and the cost of diesel fuel to operate the generator. Based on the information available, the savings estimate of $150,000 per year is very conservative.

If you have any questions please feel free to call me at 575-8318, or I can address questions at the meeting on Tuesday.

Example of Potential Savings that could be Achieved by Switching to Ozark's Electric Cooperative's Large Power Off-Peak Rate

Paul Noland Wastewater Treatment Facility
1400 N. Fox Hunter Road
Fayetteville, AR 72701
Ozarks Electric Acct. # 86778

Large Power Over 350 kVa Charges	
Service Charge:	$260.00
NCP Billing Demand Charge:	$2.18
First 150 kWh, per kW	$0.06210
Excess kWh:	$0.02850

Cost for Consumption Under the Large Power Over 350 kVa Rate Schedule

Month	* Billing Demand	kWh	Customer Charge	NCP Billing Demand Charge	Energy Charge 1st 150 kWh per kW	Energy Charge Excess kWh	Fuel Cost Adjustment	Debt Cost Adjustment	County Tax (1.5%)	State Tax (6.0%)	Total
Feb-03	2,160	1,310,400	$260.00	$4,708.80	$20,120.40	$28,112.40	-$1,231.78	$2,542.18	$817.68	$3,270.72	$58,600.40
Mar-03	2,160	1,300,800	$260.00	$4,708.80	$20,120.40	$27,838.80	$2,275.10	$2,523.55	$865.90	$3,463.60	$62,056.15
Apr-03	2,160	1,402,800	$260.00	$4,708.80	$20,120.40	$30,745.80	-$1,374.74	$5,218.42	$895.18	$3,580.72	$64,154.57
May-03	2,160	1,300,800	$260.00	$4,708.80	$20,120.40	$27,838.80	$4,729.71	$1,482.91	$887.11	$3,548.44	$63,576.17
Jun-03	2,160	1,392,000	$260.00	$4,708.80	$20,120.40	$30,438.00	$2,108.88	$1,586.88	$888.34	$3,553.38	$63,664.68
Jul-03	2,160	1,216,800	$260.00	$4,708.80	$20,120.40	$25,444.80	-$2,640.46	$912.60	$732.09	$2,928.37	$52,466.60
Aug-03	2,160	1,150,800	$260.00	$4,708.80	$20,120.40	$23,563.80	$2,041.52	$863.10	$773.36	$3,093.46	$55,424.44
Sep-03	2,160	1,201,200	$260.00	$4,708.80	$20,120.40	$25,000.20	$3,130.33	$900.90	$811.81	$3,247.24	$58,179.67
Oct-03	2,160	1,017,600	$260.00	$4,708.80	$20,120.40	$19,767.60	-$4,060.22	$1,587.46	$635.76	$2,543.04	$45,562.83
Nov-03	2,160	1,074,000	$260.00	$4,708.80	$20,120.40	$21,375.00	-$1,696.92	$1,675.44	$696.64	$2,786.56	$49,925.92
Dec-03	2,160	1,066,800	$260.00	$4,708.80	$20,120.40	$21,169.80	-$3,659.12	$1,664.21	$663.96	$2,655.85	$47,583.89
Jan-04	2,160	868,800	$260.00	$4,708.80	$20,120.40	$15,526.80	-$973.06	$1,685.47	$619.93	$2,479.70	$44,428.05
		14,302,800	$3,120.00	$56,505.60	$241,444.80	$296,821.80	-$1,350.77	$22,643.11	$9,287.77	$37,151.07	$665,623.39

* Billing demand of 2,160 kW, established during the summer of 2003, is used for all months covered by this analysis.

Annual Generator Run Hours: 100 Hours

Prime Generator Capacity: 2,000 kW

Fuel Cost per Kilowatt-hour: $0.08 / kWh

Large Power Off-Peak Charges	
Service Charge:	$198.00
NCP Billing Demand Charge:	$2.18
On-Peak Demand Charge:	$12.00
Energy Charge:	$0.0230

Cost for Consumption Under the Large Power Off-Peak Rate Schedule with Generator Operation

Month	NCP Billing Demand	# On-Peak Billing Demand	Metered kWh	Generated kWh	Service Charge	NCP Billing Demand Charge	On-Peak Billing Demand Charge	Energy Charge	Fuel Cost Adjustment	Debt Cost Adjustment	County Tax (1.5%)	State Tax (6.0%)	Total
Feb-03	2,160	160	1,310,400	0	$198.00	$4,708.80	$1,920.00	$30,139.20	-$1,231.78	$2,542.18	$574.15	$2,296.58	$41,147.13
Mar-03	2,160	160	1,300,800	0	$198.00	$4,708.80	$1,920.00	$29,918.40	$2,275.10	$2,523.55	$623.16	$2,492.63	$44,659.64
Apr-03	2,160	160	1,402,800	0	$198.00	$4,708.80	$1,920.00	$32,264.40	-$1,374.74	$5,218.42	$644.02	$2,576.09	$46,154.99
May-03	2,160	160	1,300,800	0	$198.00	$4,708.80	$1,920.00	$29,918.40	$4,729.71	$1,482.91	$644.37	$2,577.47	$46,179.66
Jun-03	2,160	160	1,338,000	54,000	$198.00	$4,708.80	$1,920.00	$30,774.00	$2,027.07	$1,525.32	$617.30	$2,469.19	$44,239.68
Jul-03	2,160	160	1,162,800	54,000	$198.00	$4,708.80	$1,920.00	$26,744.40	-$2,523.28	$872.10	$478.80	$1,915.20	$34,314.03
Aug-03	2,160	160	1,096,800	54,000	$198.00	$4,708.80	$1,920.00	$25,226.40	$1,945.72	$822.60	$522.32	$2,089.29	$37,433.14
Sep-03	2,160	160	1,147,200	54,000	$198.00	$4,708.80	$1,920.00	$26,385.60	$2,989.60	$860.40	$555.94	$2,223.74	$39,842.08
Oct-03	2,160	160	1,017,600	0	$198.00	$4,708.80	$1,920.00	$23,404.80	-$4,060.22	$1,587.46	$416.38	$1,665.53	$29,840.74
Nov-03	2,160	160	1,074,000	0	$198.00	$4,708.80	$1,920.00	$24,702.00	-$1,696.92	$1,675.44	$472.61	$1,890.44	$33,870.37
Dec-03	2,160	160	1,066,800	0	$198.00	$4,708.80	$1,920.00	$24,536.40	-$3,659.12	$1,664.21	$440.52	$1,782.10	$31,570.91
Jan-04	2,160	160	868,800	0	$198.00	$4,708.80	$1,920.00	$19,982.40	-$973.06	$1,685.47	$412.82	$1,651.30	$29,585.74
			14,086,800	216,000	$2,376.00	$56,505.60	$23,040.00	$323,996.40	-$1,551.92	$22,460.05	$6,402.39	$25,609.57	$458,838.10
				14,302,800									

\# Assumes that facility demand is peaking simultaneously with AECC peak demand (worst case scenario)

Note: Load changes at the facility will affect savings.

Estimated Large Power Over 350 kVa Annual Charge:	$665,623.39
Estimated Large Power Off-Peak Annual Charge:	$458,838.10
Estimated Annual Savings:	$206,785.29
Percent Annual Savings:	31.07%

Fayetteville

City Council Meeting of January 18, 2005

CITY COUNCIL AGENDA MEMO

To: Mayor and City Council

From: Greg Boettcher, Water/Wastewater Director Greg Boettcher

Date: December 22, 2004

Subject: Resolution approving Amendment Number 11 (A) with Operations Management International, Inc. authorizing acquisition of an electric generation unit for the Noland Wastewater Plant and extension of the operating agreement for 5 years. A budget adjustment of $76,693.10 is included for residual electric rate impacts for calendar year 2005 only, funds to come from use of fund balance and to be added to Watewater Treatment Plant Program/Services and Charges.

RECOMMENDATION

Fayetteville City Administration recommends approval of "Amendment No. 11 (A) to the Agreement for Operations, Maintenance and Management Services for the City of Fayetteville, Arkansas Wastewater Treatment Plant." This contract amendment increases the 2005 contract value by $76,693.10 to cover the residual electric rate effects for calendar year 2005. This amendment increases the 2005 contract to a total of $4,561,018.10.

BACKGROUND

Final design of the Noland Wastewater Plant Improvements includes the installation of a second standby electric generating unit at a cost of approximately $350,000.00 to handle the increased needs of the facility. An opportunity has been discovered whereby the City can acquire a larger backup electric generation unit that enables lowered electric costs by nature of load management capabilities. Energy cost savings are such that the City can recover the principal and interest payments from energy cost savings provided that the equipment is financed over a five year term. At the end of this five-year payback period; all energy costs savings will be captured by the City of Fayetteville plus the City shall have acquired a self-funded equipment asset. This concept has multiple applications within the Fayetteville Wastewater System Improvements Project, as standby electric generating units have been designed for both the new West Side Wastewater Treatment Plant and for the new Hamestring Lift Station. The Noland Plant's application is simply the first to be released for bids; hence the current desire to move forward with this activity. In order to minimize the electric generation system costs, coordinate load management practices, secure buy-in from plant operations and meet tight time schedules; it is proposed to use a contract amendment with OMI to secure the financing, planning, installation and operation of the Noland Generator Project.

While the Noland Generator Project will be self-funding once the new rates are in effect; there is a residual energy cost impact that represents a one-time, up front project expenditure. This initiation cost is due to the fact that electric load management in 2005 will not impact electric charges until the start of 2006, therefore, the first year costs must

Tabled to Special City Council Mtg 2/8/05

to 2/1/05

Tabled ~~Indefinitely~~ @ 1/18/05 mtg

adjust for this startup expense. This rate residual impact is predicted at $76,693.10 for 2005; hence the increase in OMI's contract value and the associated budget adjustment.

DISCUSSION

Fayetteville has a narrow window of opportunity to simultaneously capture capital cost savings and operating cost savings. The acquisition of load management electric generating equipment for its wastewater treatment facilities has predicted capital cost savings of $1.75 million ($350,000 at Noland, $1,000,000 at West Plant and $400,000 at Hamestring). The use of OMI contract amendments to acquire, finance and repay such costs provides Fayetteville with the ability to capture the energy costs savings at the end of the 5-year repayment period, equating to reduced operating costs over time.

With the Noland Wastewater Project's Contract EP-2 scheduled for a bid opening on February 15, 2005; it is desirable to finalize this decision to enable issuance of an addendum deleting the proposed smaller standby power system.

BUDGET IMPACT

The contract amendment increases the OMI contract value by $76,693.10 in 2005 and will require a budget adjustment to transfer said amount from use of water and sewer fund balance. This one-time implementation expense offers an immediate capital cost savings of $350,000.00 plus operating costs savings after retiring the 5-year equipment financing.

RESOLUTION NO. ______

A RESOLUTION APPROVING AMENDMENT NO. 11 (A) TO THE CONTRACT WITH OPERATIONS MANAGEMENT INTERNATIONAL (OMI) IN THE AMOUNT OF $76,693.10 FOR THE ACQUISITION OF AN ELECTRIC GENERATING UNIT; EXTENDING THE TERM OF THE AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES AN ADDITIONAL FIVE (5) YEARS; AND APPROVING A BUDGET ADJUSTMENT TRANSFERRING $76,693.00 FROM USE OF FUND BALANCE TO PCP OPERATION CONTRACT FUND.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF FAYETTEVILLE, ARKANSAS:

Section 1. That the City Council of the City of Fayetteville, Arkansas hereby approves Amendment No. 11 (A) to the contract with Operations Management International (OMI) in the amount of $76,693.10. A copy of Amendment No. 11 (A), marked Exhibit "A" is attached hereto, and made a part hereof.

Section 2. That the City Council of the City of Fayetteville, Arkansas hereby agrees to extend the Agreement for Operations, Maintenance and Management Services an additional five (5) years.

Section 3. That the City Council of the City of Fayetteville, Arkansas hereby approves a budget adjustment transferring $76,693.00 from Use of Fund Balance to PCP Operation Contract Fund.

PASSED and APPROVED this 18th day of January 2005.

APPROVED:

By: ______________________
DAN COODY, Mayor

ATTEST:

By: ______________________
SONDRA SMITH, City Clerk

City of Fayetteville, Arkansas
Budget Adjustment Form

Budget Year	Department / Division / Program	Date Requested	Adjustment Number
2004	Department: Water & Wastewater Division: Wastewater Treatment Program: Wastewater Treatment Plant	12/22/2004	

Project or Item Requested:

Adjust wastewater plant operations budget by $76,693.10 for amendment 11(A) relating to the acquisition and financing of a generator system for the Noland Wastwater Plant. Adjustment is for the one-time residual electric rate impacts in calendar year 2005

Project or Item Deleted:

$76,693.10 will be the Use of Fund Balance.

Justification of this Increase:

This expenditure is the upfront expense to initiate a self-funding equipment acquistion that has benefits of $350,000 capital project cost savings, 5-year financing thru electric energy savings and direct energy cost savings to City after 5-year repayment period.

Justification of this Decrease:

This investment in equipment and future savings is a cost-effective use of water and sewer funds. Sufficient funding remains to comply with City Policy.

Increase Budget (Decrease Revenue)

Account Name	Account Number				Amount	Project Number	
PCP operation contract	5400	5100	5328	00	76,693		

Decrease Budget (Increase Revenue)

Account Name	Account Number				Amount	Project Number	
Use of fund balance	5400	0940	4999	99	76,693		

Approval Signatures

Signature	Date
Requested By	
Budget Manager	12-22-04
Department Director	12-20-04
Finance & Internal Services Director	12-21-04
Mayor	1/1/05

Budget Office Use Only

Type: A B C D E

	Initial	Date
Date of Approval		
Posted to General Ledger		
Posted to Project Accounting		
Entered in Category Log		

AMENDMENT NO. 11(A)

TO

AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES

FOR THE CITY OF FAYETTEVILLE, ARKANSAS WASTEWATER TREATMENT PLANT

THIS AMENDMENT NO. 11(A) to the Agreement for Operations, Maintenance and Management Services for the City of Fayetteville, Arkansas Wastewater Treatment Plant dated September 1, 1994 (the "Agreement"), made effective on the 1st day of January, 2005, by and between the City of Fayetteville, Arkansas, whose address for any formal notice is 113 W. Mountain St, Fayetteville, Arkansas 72701 (hereinafter the "City") and Operations Management International, Inc., with offices at 9193 S. Jamaica Street, Suite 400, Englewood, Colorado 80112 (hereinafter "OMI") is made and entered into for purposes of amending certain provisions of the Agreement, to prevent the facilities covered by the Agreement from being deemed to be used in the trade or business of OMI pursuant to Section 141 (b) of the Internal Revenue Code of 1986, as amended.

NOW THEREFORE, the City and OMI agree to amend the Agreement as follows:

1. Article 4.3 is hereby deleted in its entirety and replaced with the following Article 4.3:

   4.3 OMI estimates the cost for services for calendar year 2005 shall be Four Million Five Hundred Sixty One Thousand Eighteen Dollars ($4,561,018.00). Details of said cost are shown in Appendix J. The base fee shall be negotiated each year in September for the upcoming calendar year. Should the City and OMI fail to agree, the base fee will be determined by the application of the base fee adjustment formula shown in Appendix F. Should the actual expenditures exceed estimated expenditures by more than Twenty Thousand Dollars ($20,000), in any year of this Agreement, specific approval will be obtained from the City prior to OMI incurring additional costs.

2. Article 7.1 is hereby deleted in its entirety and replaced with the following Article 7.1:

   7.1 This initial term of this Agreement shall be five (5) years and four (4) months commencing on September 1, 1994 and ending on December 31, 1999, followed by two (2) successive five (5) year options, each renewable at the sole discretion of OMI. The City has exercised its options to extend through December 31, 2008. In consideration of OMI's agreement to fund the Power Generator Project at the Noland WWTP, described in Appendix L, the City is hereby extending this Agreement through and including December 31, 2013.

3. A new Appendix L is added in the form attached hereto.

This Amendment No. 11(A) together with the Agreement constitutes the entire agreement between the Parties and supersedes all prior oral and written understandings with respect to the subject matter set forth herein. Unless specifically stated all other terms and conditions of the Agreement shall remain in full force and effect. Neither this Amendment nor the Agreement may be modified except in writing signed by an authorized representative of the Parties.

The Parties, intending to be legally bound, indicate their approval of the Amendment by their signatures below.

OPERATIONS MANAGEMENT INTERNATIONAL, INC.	**CITY OF FAYETTEVILLE**
______________________________	______________________________
Roger B. Quayle	Dan Coody
Senior Vice President	Mayor
Date:______________________	Date:______________________

Appendix J

COST DETAIL

The annualized estimated costs for calendar year 2005 are as follows:

Description		Existing 2005 Estimated Costs		Amended 2005 Estimated Costs
Direct Labor & Benefits	$	1,671,071.00	$	1,671,071.00
Labor Markup	$	501,321.00	$	501,321.00
Electricity	$	642,720.00	$	588,480.00
Electrical Markup	$	-	$	-
Other Direct Costs	$	1,288,073.00	$	1,304,771.00
Other Direct Costs Markup	$	128,807.00	$	130,477.10
Subtotal	**$**	**4,231,992.00**	**$**	**4,196,120.10**
Fixed Fee	$	82,349.00	$	81,651.00
Lift Station Odor Control	$	69,362.00	$	69,362.00
Capital Item Amortization	$	100,622.00	$	100,622.00
Power Generator Project				
Equipment Amortization	$	-	$	113,263.00
Total Est. O & M Budget	**$**	**4,484,325.00**	**$**	**4,561,018.10**
Total Est. Annualized Budget	$	4,484,325.00	$	4,561,018.10
Estimated Increase			$	76,693.10

The following are some of the major reasons for cost circumstances:

1. Continued increase in the efficient use of technological automation and job-sharing within the OMI network.

2. Continued upward pressure on the cost of fuel and vehicle expenses.

3. Ever increasing cost to maintain community-expected high level of performance with many pieces of equipment nearing the end of their life cycle and destined to be replaced or upgraded as part of the ongoing Wastewater Improvement Project.

4. Continued population growth causing a related increase in sludge production and ultimate sludge disposal costs.

5. Additional costs for maintenance of 4-5 new sewage lift stations during the next year.

6. Potentially less expensive sludge disposal alternatives continue to be evaluated, which may or may not become feasible within the next 12 months.

7. Addition of the Power Generator Project as described in Appendix L hereto.

Appendix L

POWER GENERATOR PROJECT - SCOPE OF WORK

Due to significantly increased emphasis on preventing all possible wastewater overflows and/or interruptions in wastewater treatment capability by the Arkansas Department of Environmental Quality and the United States Environmental Protection Agency, as well as currently available favorable electrical rate structures it has become necessary for the City to install full-backup power generation equipment at the Paul R. Noland wastewater treatment plant (WWTP). In addition, the City anticipates installing full-backup power generation equipment at the new Westside WWTP facility and at the expanded Hamestring sewer lift station facility in accordance with the respective construction sequencing as these facilities are constructed.

The cost of the power generation equipment (the "Equipment") to effect the implementation of the power generation system at the Noland WWTP is $715,000.

OMI hereby agrees to locate, procure and finance the cost of the Equipment at an annual interest rate of seven percent over the course of sixty (60) months on behalf of the City in accordance with the amortization schedule set forth in Attachment 1 to this Appendix L and the City hereby agrees that it will purchase the Equipment from OMI over the course of such sixty (60) month period (the "Amortization Period"). The City's first payment to OMI will be due in the month following the installation complete date, currently estimated to be May 15, 2005. The City may elect to complete purchase of the Equipment at any time during the Amortization Period without incurring any early payment penalties.

Copies of purchase orders, bills of sale or invoices evidencing OMI's purchase will be furnished to the City upon request.

Title and risk of loss to the Equipment will remain with OMI at all times during the Amortization Period. At the end of the Amortization Period, title and risk of loss for and to the Equipment will transfer to the City.

If for any reason the Agreement is terminated by either party prior to the end of the Amortization Period, the City will pay to OMI the remaining balance due, in full, within thirty (30) days following termination. In the event the City refuses to or fails to make payment within thirty (30) days following termination OMI may exercise all rights available to it, including but not limited to, removal of the Equipment from the Noland WWTP.

OMI may sell or assign this Amendment 11(A) and the Equipment to a third party in its sole discretion at any time during the Amortization Period.

Costs for diesel fuel will be provided directly by the City of Fayetteville as described in Article 3.8 of this Agreement. Costs for natural gas, applicable taxes, insurance, maintenance, and monitoring fees will be included in the actual cost of services as shown in Appendix J, and costs for these items in subsequent years during the Term will be provided to the City in accordance with the provisions of the Agreement.

The parties agree that they intend to install power generation systems at the new Westside WWTP and the expanded Hamestring sewer lift station at the appropriate time during the construction sequencing for each of these facilities, and that they intend to amortize the cost of each of these systems over a five year period. The parties will amend this Appendix L as necessary to address the terms and conditions agreed upon with respect to the power generation systems to be installed at the Westside WWTP and the Hamestring sewer lift station.

Attachment 1 to Appendix L

AMORTIZATION SCHEDULE

Data

LOAN DATA

Loan amount:	$715,000.00
Annual interest rate:	7.00%
Term in years:	5
Payments per year:	12
First payment due:	5/1/2005

TABLE DATA

Table starts at date:	
or at payment number:	1

PERIODIC PAYMENT

Entered payment:	
Calculated payment:	$14,157.86

CALCULATIONS

Use payment of:	$14,157.86	Beginning balance at payment 1:	$715,000.00
1st payment in table:	1	Cumulative interest prior to payment 1:	$0.00

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	5/1/2005	715,000.00	4,170.83	9,987.02	705,012.98	4,170.83
2	6/1/2005	705,012.98	4,112.58	10,045.28	694,967.70	8,283.41
3	7/1/2005	694,967.70	4,053.98	10,103.88	684,863.82	12,337.39
4	8/1/2005	684,863.82	3,995.04	10,162.82	674,701.00	16,332.43
5	9/1/2005	674,701.00	3,935.76	10,222.10	664,478.90	20,268.18
6	10/1/2005	664,478.90	3,876.13	10,281.73	654,197.17	24,144.31
7	11/1/2005	654,197.17	3,816.15	10,341.71	643,855.46	27,960.46
8	12/1/2005	643,855.46	3,755.82	10,402.03	633,453.43	31,716.28
9	1/1/2006	633,453.43	3,695.14	10,462.71	622,990.71	35,411.43
10	2/1/2006	622,990.71	3,634.11	10,523.74	612,466.97	39,045.54
11	3/1/2006	612,466.97	3,572.72	10,585.13	601,881.84	42,618.26
12	4/1/2006	601,881.84	3,510.98	10,646.88	591,234.96	46,129.24
13	5/1/2006	591,234.96	3,448.87	10,708.99	580,525.97	49,578.11
14	6/1/2006	580,525.97	3,386.40	10,771.46	569,754.52	52,964.51
15	7/1/2006	569,754.52	3,323.57	10,834.29	558,920.23	56,288.08
16	8/1/2006	558,920.23	3,260.37	10,897.49	548,022.74	59,548.45
17	9/1/2006	548,022.74	3,196.80	10,961.06	537,061.68	62,745.25
18	10/1/2006	537,061.68	3,132.86	11,025.00	526,036.68	65,878.11
19	11/1/2006	526,036.68	3,068.55	11,089.31	514,947.37	68,946.66
20	12/1/2006	514,947.37	3,003.86	11,154.00	503,793.38	71,950.52
21	1/1/2007	503,793.38	2,938.79	11,219.06	492,574.31	74,889.31
22	2/1/2007	492,574.31	2,873.35	11,284.51	481,289.81	77,762.66
23	3/1/2007	481,289.81	2,807.52	11,350.33	469,939.47	80,570.18
24	4/1/2007	469,939.47	2,741.31	11,416.54	458,522.93	83,311.50

25	5/1/2007	458,522.93	2,674.72	11,483.14	447,039.79	85,986.22
26	6/1/2007	447,039.79	2,607.73	11,550.12	435,489.67	88,593.95
27	7/1/2007	435,489.67	2,540.36	11,617.50	423,872.17	91,134.30
28	8/1/2007	423,872.17	2,472.59	11,685.27	412,186.90	93,606.89
29	9/1/2007	412,186.90	2,404.42	11,753.43	400,433.46	96,011.31
30	10/1/2007	400,433.46	2,335.86	11,822.00	388,611.47	98,347.18
31	11/1/2007	388,611.47	2,266.90	11,890.96	376,720.51	100,614.08
32	12/1/2007	376,720.51	2,197.54	11,960.32	364,760.19	102,811.61
33	1/1/2008	364,760.19	2,127.77	12,030.09	352,730.10	104,939.38
34	2/1/2008	352,730.10	2,057.59	12,100.26	340,629.84	106,996.97
35	3/1/2008	340,629.84	1,987.01	12,170.85	328,458.99	108,983.98
36	4/1/2008	328,458.99	1,916.01	12,241.85	316,217.14	110,899.99
37	5/1/2008	316,217.14	1,844.60	12,313.26	303,903.88	112,744.59
38	6/1/2008	303,903.88	1,772.77	12,385.08	291,518.80	114,517.36
39	7/1/2008	291,518.80	1,700.53	12,457.33	279,061.47	116,217.89
40	8/1/2008	279,061.47	1,627.86	12,530.00	266,531.47	117,845.75
41	9/1/2008	266,531.47	1,554.77	12,603.09	253,928.38	119,400.52
42	10/1/2008	253,928.38	1,481.25	12,676.61	241,251.77	120,881.76
43	11/1/2008	241,251.77	1,407.30	12,750.55	228,501.22	122,289.07
44	12/1/2008	228,501.22	1,332.92	12,824.93	215,676.28	123,621.99
45	1/1/2009	215,676.28	1,258.11	12,899.75	202,776.54	124,880.10
46	2/1/2009	202,776.54	1,182.86	12,974.99	189,801.55	126,062.97
47	3/1/2009	189,801.55	1,107.18	13,050.68	176,750.86	127,170.14
48	4/1/2009	176,750.86	1,031.05	13,126.81	163,624.05	128,201.19
49	5/1/2009	163,624.05	954.47	13,203.38	150,420.67	129,155.66
50	6/1/2009	150,420.67	877.45	13,280.40	137,140.27	130,033.12
51	7/1/2009	137,140.27	799.98	13,357.87	123,782.40	130,833.10
52	8/1/2009	123,782.40	722.06	13,435.79	110,346.60	131,555.16
53	9/1/2009	110,346.60	643.69	13,514.17	96,832.43	132,198.85
54	10/1/2009	96,832.43	564.86	13,593.00	83,239.43	132,763.71
55	11/1/2009	83,239.43	485.56	13,672.29	69,567.14	133,249.27
56	12/1/2009	69,567.14	405.81	13,752.05	55,815.09	133,655.08
57	1/1/2010	55,815.09	325.59	13,832.27	41,982.82	133,980.67
58	2/1/2010	41,982.82	244.90	13,912.96	28,069.86	134,225.57
59	3/1/2010	28,069.86	163.74	13,994.12	14,075.75	134,389.31
60	4/1/2010	14,075.75	82.11	14,075.75	0.00	134,471.42

City of Fayetteville
Staff Review Form
City Council Agenda Items
Contracts

18-Jan-05
City Council Meeting Date

Greg Boettcher	Wastewater Treatment	Water and Wastewater
Submitted By	Division	Department

Action Required:

Resolution approving Amendment Number 11 (A) with Operations Management International, Inc. authorizing acquisition of an electric generation unit for the Noland Wastewater Plant and extension of the operating agreement for 5 years. A budget adjustment of $76,693.10 is included for residual electric rate impacts for calendar year 2005 only, funds to come from use of fund balance and be added to Services and Charges.

$76,693.10		vater Treatement Plant/Services and C
Cost of this request	Category/Project Budget	Program Category / Project Name
5100.5328.00 5400~~.0940.4999.99~~	$ -	Use of Fund Reserves
Account Number	Funds Used to Date	Program / Project Category Name
	$ -	Water and Sewer
Project Number	Remaining Balance	Fund Name

Budgeted Item X Budget Adjustment Attached X

Greg Boettcher 12-20-04
Department Director Date

Previous Ordinance or Resolution # ____

Original Contract Date: 1-Sep-94

Original Contract Number: ____

D. P. White 12/21/04
City Attorney Date

Received in Mayor's Office
12/21/04 PH.

Chief Administrative Officer
Finance + External Services 12/21/04
Date

Received in City Clerk's Office
12-20-04
ENTERED 12-21-04

Dan Coody 12/28/04
Mayor Date

Comments:

Fayetteville
ARKANSAS

WATER AND WASTEWATER DIVISION
DEPARTMENTAL CORRESPONDENCE

TO: **Mayor and City Council**

FROM: Matt Taylor, P.E. MWT
Burns & McDonnell

DATE: January 11, 2005

RE: **Revised Copy of Amendment 11A**
OMI's Contract

Attached is a slightly revised copy of Amendment 11A to OMI's contract with the City. The primary changes are listed below with a brief explanation of each.

1. The total contract amount for calendar year 2005 has been increased approximately $8,400 (0.18% of total) to $4,569,412.89 due primarily to corrections to sales tax estimates and the addition of an extended warranty for the generator proposed at the Noland Treatment Facility.

2. The interest rate has not changed, but it is described in the revised contract in terms of the prime rate plus 2%.

3. Sales tax and the four-year extended warranty (5 years total) are addressed in the revised contract text.

4. OMI removed text that gave them the right to sell or assign the work included in Amendment 11A.

The revisions to Amendment 11A are appropriate and reflect OMI's efforts to be as accurate as possible. My recommendation is to approve the revised contract amendment as submitted.

AMENDMENT NO. 11(A)

TO

AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES FOR THE CITY OF FAYETTEVILLE, ARKANSAS WASTEWATER TREATMENT PLANT

THIS AMENDMENT NO. 11(A) to the Agreement for Operations, Maintenance and Management Services for the City of Fayetteville, Arkansas Wastewater Treatment Plant dated September 1, 1994 (the "Agreement"), made effective on the 1st day of January, 2005, by and between the City of Fayetteville, Arkansas, whose address for any formal notice is 113 W. Mountain St, Fayetteville, Arkansas 72701 (hereinafter the "City") and Operations Management International, Inc., with offices at 9193 S. Jamaica Street, Suite 400, Englewood, Colorado 80112 (hereinafter "OMI") is made and entered into for purposes of amending certain provisions of the Agreement, to prevent the facilities covered by the Agreement from being deemed to be used in the trade or business of OMI pursuant to Section 141 (b) of the Internal Revenue Code of 1986, as amended.

NOW THEREFORE, the City and OMI agree to amend the Agreement as follows:

1. Article 4.3 is hereby deleted in its entirety and replaced with the following Article 4.3:

   4.3 OMI estimates the cost for services for calendar year 2005 shall be Four Million Five Hundred Sixty Nine Thousand Four Hundred Twelve Dollars and Eighty-Nine Cents ($4,569,412.89). Details of said cost are shown in Appendix J. The base fee shall be negotiated each year in September for the upcoming calendar year. Should the City and OMI fail to agree, the base fee will be determined by the application of the base fee adjustment formula shown in Appendix F. Should the actual expenditures exceed estimated expenditures by more than Twenty Thousand Dollars ($20,000), in any year of this Agreement, specific approval will be obtained from the City prior to OMI incurring additional costs.

2. Article 7.1 is hereby deleted in its entirety and replaced with the following Article 7.1:

   7.1 This initial term of this Agreement shall be five (5) years and four (4) months commencing on September 1, 1994 and ending on December 31, 1999, followed by two (2) successive five (5) year options, each renewable at the sole discretion of OMI. The City has exercised its options to extend through December 31, 2008. In consideration of OMI's agreement to fund the Power Generator Project at the Noland WWTP, described in Appendix L, the City is hereby extending this Agreement through and including December 31, 2013.

3. A new Appendix L is added in the form attached hereto.

This Amendment No. 11(A) together with the Agreement constitutes the entire agreement between the Parties and supersedes all prior oral and written understandings with respect to the subject matter set forth herein. Unless specifically stated all other terms and conditions of the Agreement shall remain in full force and effect. Neither this Amendment nor the Agreement may be modified except in writing signed by an authorized representative of the Parties.

The Parties, intending to be legally bound, indicate their approval of the Amendment by their signatures below.

OPERATIONS MANAGEMENT INTERNATIONAL, INC.	**CITY OF FAYETTEVILLE**
______________________	______________________
Roger B. Quayle	Dan Coody
Senior Vice President	Mayor
Date:__________________	Date:__________________

Appendix J

COST DETAIL

The annualized estimated costs for calendar year 2005 are as follows:

Description	Existing 2005 Estimated Costs	Amended 2005 Estimated Costs
Direct Labor & Benefits	$ 1,671,071.00	$ 1,671,071.00
Labor Markup	$ 501,321.00	$ 501,321.00
Electricity	$ 642,720.00	$ 588,480.00
Electrical Markup	$ -	$ -
Other Direct Costs	$ 1,288,073.00	$ 1,305,526.74
Other Direct Costs Markup	$ 128,807.00	$ 130,552.67
Subtotal	**$ 4,231,992.00**	**$ 4,196,951.41**
Fixed Fee	$ 82,349.00	$ 81,667.16
Lift Station Odor Control	$ 69,362.00	$ 69,362.00
Capital Item Amortization	$ 100,622.00	$ 100,622.00
Power Generator Project		
Equipment Amortization	$ -	$ 120,810.32
Total Est. O & M Budget	**$ 4,484,325.00**	**$ 4,569,412.89**
Total Est. Annualized Budget	$ 4,484,325.00	$ 4,569,412.89
Estimated Increase		$ 85,087.89

The following are some of the major reasons for cost circumstances:

1. Continued increase in the efficient use of technological automation and job-sharing within the OMI network.

2. Continued upward pressure on the cost of fuel and vehicle expenses.

3. Ever increasing cost to maintain community-expected high level of performance with many pieces of equipment nearing the end of their life cycle and destined to be replaced or upgraded as part of the ongoing Wastewater Improvement Project.

4. Continued population growth causing a related increase in sludge production and ultimate sludge disposal costs.

5. Additional costs for maintenance of 4-5 new sewage lift stations during the next year.

6. Potentially less expensive sludge disposal alternatives continue to be evaluated, which may or may not become feasible within the next 12 months.

7. Addition of the Power Generator Project as described in Appendix L hereto.

Appendix L

POWER GENERATOR PROJECT - SCOPE OF WORK

Due to significantly increased emphasis on preventing all possible wastewater overflows and/or interruptions in wastewater treatment capability by the Arkansas Department of Environmental Quality and the United States Environmental Protection Agency, as well as currently available favorable electrical rate structures it has become necessary for the City to install full-backup power generation equipment at the Paul R. Noland wastewater treatment plant (WWTP). In addition, the City anticipates installing full-backup power generation equipment at the new Westside WWTP facility and at the expanded Hamestring sewer lift station facility in accordance with the respective construction sequencing as these facilities are constructed.

The City has reviewed available options and has determined that it desires to install a power generation system manufactured by PowerSecure, Inc. The cost of the power generation equipment (the "Equipment") to effect the implementation of the power generation system at the Noland WWTP, including applicable sales taxes and a four-year extended warranty, is estimated to be $762,645.00.

OMI hereby agrees to procure and finance the cost of the Equipment at an annual interest rate of prime plus two percent (2%), currently seven percent (7%) over the course of sixty (60) months on behalf of the City in accordance with the amortization schedule set forth in Attachment 1 to this Appendix L and the City hereby agrees that it will purchase the Equipment from OMI over the course of such sixty (60) month period (the "Amortization Period"). The City's first payment to OMI will be due in the month following the installation complete date, currently estimated to be May 15, 2005. The City may elect to complete purchase of the Equipment at any time during the Amortization Period without incurring any early payment penalties. OMI makes no representations or warranties to the City with respect to the Equipment nor does it make any representations with respect to the savings the City may realize following installation of the Equipment. OMI shall pass through to the City any warranties provided by PowerSecure, but shall have no other responsibility for the manufactured quality of the generators.

Copies of purchase orders, bills of sale or invoices evidencing OMI's purchase will be furnished to the City upon request.

Title and risk of loss to the Equipment will remain with OMI at all times during the Amortization Period. At the end of the Amortization Period, title and risk of loss for and to the Equipment will transfer to the City.

If for any reason the Agreement is terminated by either party prior to the end of the Amortization Period, the City will pay to OMI the remaining balance due, in full, within thirty (30) days following termination. In the event the City refuses to or fails to make payment within thirty (30) days following termination OMI may exercise all rights available to it, including but not limited to, removal of the Equipment from the Noland WWTP.

OMI may sell or assign this equipment purchase to a third party in its sole discretion at any time during the Amortization Period.

Costs for diesel fuel will be provided directly by the City of Fayetteville as described in Article 3.8 of this Agreement. Costs for natural gas, applicable taxes, insurance, maintenance, and monitoring fees will be included in the actual cost of services as shown in Appendix J, and costs for these items in subsequent years during the Term will be provided to the City in accordance with the provisions of the Agreement.

The parties agree that they intend to install power generation systems at the new Westside WWTP and the expanded Hamestring sewer lift station at the appropriate time during the construction sequencing for each of these facilities, and that they intend to amortize the cost of each of these systems over a five year period. The parties will amend this Appendix L as necessary to address the terms and conditions agreed upon with respect to the power generation systems to be installed at the Westside WWTP and the Hamestring sewer lift station.

Attachment 1 to Appendix L

ESTIMATED AMORTIZATION SCHEDULE

Amortization Table

LOAN DATA

Loan amount: 762,645.00
Annual interest rate: 7.00%
Term in years: 5
Payments per year: 12
First payment due: 5/1/2005

TABLE DATA

Table starts at date:
or at payment number: 1

PERIODIC PAYMENT

Entered payment:
Calculated payment: $15,101.29

CALCULATIONS

Use payment of: $15,101.29
1st payment in table: 1

Beginning balance at payment 1: $762,645.00
Cumulative interest prior to payment 1: $0.00

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
1	5/1/2005	762,645.00	4,448.76	10,652.52	751,992.48	4,448.76
2	6/1/2005	751,992.48	4,386.62	10,714.66	741,277.82	8,835.39
3	7/1/2005	741,277.82	4,324.12	10,777.16	730,500.65	13,159.51
4	8/1/2005	730,500.65	4,261.25	10,840.03	719,660.62	17,420.76
5	9/1/2005	719,660.62	4,198.02	10,903.26	708,757.35	21,618.78
6	10/1/2005	708,757.35	4,134.42	10,966.87	697,790.49	25,753.20
7	11/1/2005	697,790.49	4,070.44	11,030.84	686,759.65	29,823.64
8	12/1/2005	686,759.65	4,006.10	11,095.19	675,664.46	33,829.74
9	1/1/2006	675,664.46	3,941.38	11,159.91	664,504.55	37,771.12
10	2/1/2006	664,504.55	3,876.28	11,225.01	653,279.54	41,647.39
11	3/1/2006	653,279.54	3,810.80	11,290.49	641,989.05	45,458.19
12	4/1/2006	641,989.05	3,744.94	11,356.35	630,632.71	49,203.13
13	5/1/2006	630,632.71	3,678.69	11,422.59	619,210.11	52,881.82
14	6/1/2006	619,210.11	3,612.06	11,489.23	607,720.89	56,493.88
15	7/1/2006	607,720.89	3,545.04	11,556.25	596,164.64	60,038.91
16	8/1/2006	596,164.64	3,477.63	11,623.66	584,540.98	63,516.54
17	9/1/2006	584,540.98	3,409.82	11,691.46	572,849.52	66,926.36
18	10/1/2006	572,849.52	3,341.62	11,759.66	561,089.86	70,267.99
19	11/1/2006	561,089.86	3,273.02	11,828.26	549,261.59	73,541.01
20	12/1/2006	549,261.59	3,204.03	11,897.26	537,364.34	76,745.04
21	1/1/2007	537,364.34	3,134.63	11,966.66	525,397.68	79,879.66
22	2/1/2007	525,397.68	3,064.82	12,036.47	513,361.21	82,944.48
23	3/1/2007	513,361.21	2,994.61	12,106.68	501,254.53	85,939.09
24	4/1/2007	501,254.53	2,923.98	12,177.30	489,077.23	88,863.07
25	5/1/2007	489,077.23	2,852.95	12,248.33	476,828.90	91,716.02
26	6/1/2007	476,828.90	2,781.50	12,319.78	464,509.11	94,497.53
27	7/1/2007	464,509.11	2,709.64	12,391.65	452,117.47	97,207.16
28	8/1/2007	452,117.47	2,637.35	12,463.93	439,653.53	99,844.51
29	9/1/2007	439,653.53	2,564.65	12,536.64	427,116.89	102,409.16
30	10/1/2007	427,116.89	2,491.52	12,609.77	414,507.12	104,900.67

Amortization Table

LOAN DATA

Loan amount:	762,645.00
Annual interest rate:	7.00%
Term in years:	5
Payments per year:	12
First payment due:	5/1/2005

TABLE DATA

Table starts at date:	
or at payment number:	1

PERIODIC PAYMENT

Entered payment:	
Calculated payment:	$15,101.29

CALCULATIONS

Use payment of:	$15,101.29	Beginning balance at payment 1:	$762,645.00
1st payment in table:	1	Cumulative interest prior to payment 1:	$0.00

Table

No.	Payment Date	Beginning Balance	Interest	Principal	Ending Balance	Cumulative Interest
31	11/1/2007	414,507.12	2,417.96	12,683.33	401,823.80	107,318.63
32	12/1/2007	401,823.80	2,343.97	12,757.31	389,066.48	109,662.61
33	1/1/2008	389,066.48	2,269.55	12,831.73	376,234.75	111,932.16
34	2/1/2008	376,234.75	2,194.70	12,906.58	363,328.17	114,126.86
35	3/1/2008	363,328.17	2,119.41	12,981.87	350,346.30	116,246.28
36	4/1/2008	350,346.30	2,043.69	13,057.60	337,288.70	118,289.96
37	5/1/2008	337,288.70	1,967.52	13,133.77	324,154.93	120,257.48
38	6/1/2008	324,154.93	1,890.90	13,210.38	310,944.55	122,148.38
39	7/1/2008	310,944.55	1,813.84	13,287.44	297,657.11	123,962.23
40	8/1/2008	297,657.11	1,736.33	13,364.95	284,292.16	125,698.56
41	9/1/2008	284,292.16	1,658.37	13,442.91	270,849.24	127,356.93
42	10/1/2008	270,849.24	1,579.95	13,521.33	257,327.91	128,936.89
43	11/1/2008	257,327.91	1,501.08	13,600.21	243,727.71	130,437.97
44	12/1/2008	243,727.71	1,421.74	13,679.54	230,048.17	131,859.71
45	1/1/2009	230,048.17	1,341.95	13,759.34	216,288.83	133,201.66
46	2/1/2009	216,288.83	1,261.68	13,839.60	202,449.23	134,463.34
47	3/1/2009	202,449.23	1,180.95	13,920.33	188,528.90	135,644.30
48	4/1/2009	188,528.90	1,099.75	14,001.53	174,527.37	136,744.05
49	5/1/2009	174,527.37	1,018.08	14,083.21	160,444.16	137,762.12
50	6/1/2009	160,444.16	935.92	14,165.36	146,278.80	138,698.05
51	7/1/2009	146,278.80	853.29	14,247.99	132,030.80	139,551.34
52	8/1/2009	132,030.80	770.18	14,331.11	117,699.70	140,321.52
53	9/1/2009	117,699.70	686.58	14,414.70	103,285.00	141,008.10
54	10/1/2009	103,285.00	602.50	14,498.79	88,786.21	141,610.60
55	11/1/2009	88,786.21	517.92	14,583.37	74,202.84	142,128.52
56	12/1/2009	74,202.84	432.85	14,668.44	59,534.41	142,561.37
57	1/1/2010	59,534.41	347.28	14,754.00	44,780.40	142,908.65
58	2/1/2010	44,780.40	261.22	14,840.07	29,940.34	143,169.87
59	3/1/2010	29,940.34	174.65	14,926.63	15,013.71	143,344.52
60	4/1/2010	15,013.71	87.58	15,013.71	0.00	143,432.10

Acct #	Month	kWh	Off Peak Demand	Peak kW	Fuel Cost	Debt Cost	Usage Cost stnd Rate	$ Off Peak (best case)	$ Off Peak (worse case)
86778-001	Oct-04	967,200.00	1,920.00	0.00	-0.000057	0.003750	41,687.60	$26,629.20	$49,669.20
86778-001	Sep-04	1,033,200.00	1,920.00	0.00	0.000367	0.002520	43,568.60	$28,147.20	$51,187.20
86778-001	Aug-04	1,119,600.00	1,968.00	0.00	0.000750	0.002520	46,377.56	$30,239.04	$53,855.04
86778-001	Jul-04	1,024,800.00	2,160.00	0.00	0.001464	0.002520	45,062.00	$28,477.20	$54,397.20
86778-001	Jun-04	1,051,200.00	2,160.00	0.00	0.003093	0.003720	45,814.40	$29,084.40	$55,004.40
86778-001	May-04	898,800.00	2,160.00	0.00	0.003636	0.00114	41,471.00	$25,579.20	$51,499.20
86778-001	Apr-04	1,140,000.00	2,160.00	0.00	0.001515	0.00114	48,345.20	$31,126.80	$57,046.80
86778-001	Mar-04	834,000.00	2,160.00	0.00	-0.002168	0.00075	39,624.20	$24,088.80	$50,008.80
86778-001	Feb-04	1,095,600.00	2,160.00	0.00	0.001774	0.00075	47,079.80	$30,105.60	$56,025.60
86778-001	Jan-04	868,800.00	2,160.00	0.00	0.002606	0.00075	40,616.00	$24,889.20	$50,809.20
86778-001	Dec-03	1,066,800.00	2,160.00	0.00	-0.003987	0.00156	46,259.00	$29,443.20	$55,363.20
86778-001	Nov-03	1,074,000.00	2,160.00	0.00	-0.001582	0.00156	46,464.20	$29,608.80	$55,528.80
	Total	12,174,000.00			0.007411	0.022680	$532,369.56	$337,418.64	$640,394.64

The figures above are directly from Ozarks Electric and reflect the absolute 'best case' scenario for potential savings. There will be costs to operate and maintain the generation equipment, which will directly offset the potential savings in a given year, as well as the very real potential that we may miss one or more of the coincidental peak demand periods and end up 'saving' something less than is described by these figures. One other thing of importance to note is that these figures are based on a 'fully loaded' Noland treatment plant, and the potential savings will be less when the West Side plant comes on line. The current estimation of a five year period during which the potential savings should come close to equaling the actual costs is considered to be as accurate as can be determined at this point in time.

Schedule of action items related to installation of power generation equipment at the Paul R. Noland wastewater treatment facility by Power Secure in 2005.

Action	Date
Agreement Signing	1/18/05
Receipt of IDG® System Submittal	2/18/05
Equipment Shipping Date to Site	5/16/05
Substantial Completion of Installation	5/23/05
Final Commissioning/Start-up	6/1/05

Noland Wastewater Treatment Plant Improvements
Standby Generator Options

The Noland Plant improvements project presents an opportunity for the City to invest in a standby electrical generator that is larger than the minimum required for emergency operation purposes, but which will result in significant annual savings through a reduction in the rate paid for electricity throughout the year.

Option 1.

The least expensive option in terms of capital cost is to install a 750kW generator at the facility to operate only critical equipment. It will not be large enough to operate all treatment equipment. The generator will operate screening equipment and other critical items and wastewater will be pumped to storage for later treatment when electric power is restored. This approach is acceptable to the regulatory agencies, but is labor intensive and could result in a discharge of inadequately treated wastewater during extended power outages. The capital cost of this option is approximately $450,000. The labor costs will vary from year to year depending on the frequency and duration of power outages to the treatment facility.

Option 2.

A second option is to purchase a generator large enough (2000kW) to power significantly more of the treatment processes during outages and reduce reduce the electric power demands of the treatment facility during peak periods. This minimizes the chance of a discharge of partially treated waste, but more importantly it decreases both the rate paid for electrical power the plant and the total power purchased. If a 2000kW generator is installed and operated strategically, it will lower the annual electrical bill at the facility by approximately $150,000 per year. OMI has been in contact with a company that buys generators on a volume basis, manufactures the switch gear necessary to place a generator in service, and provides the majority of the installation and start-up services necessary. The cost for all equipment, installation, start-up, and project management/coordination by OMI would be $877,042. This is approximately $430,000 more than the cost of the minimum generator required, but the annual power cost savings would recover this additional capital cost in roughly 3 years. The generator should have a useful life of at least 15 years, so the total savings recognized could be as high as $1.8M over 15 years. If electric costs increase over the years, the savings would be even greater.

If this new generator can be installed and in service by June 1, 2005 the City will be on the new, reduced rate structure on January 1, 2006 and will begin to realize monthly power cost savings at that time. If the generator is not on-line by June 1st, the reduced rates will not take effect until one year later (January 1, 2007) and one full year of potential savings ($150,000) will be lost. They have indicated that a signed, formal approval no later than February 15th should allow the work to be completed in advance of June 1, 2005.

Option 2A.

A variation of Option 2 above is for the City to pay to have a system designed, solicit bids for a generator, and contract with an electrical contractor for the installation and start-up of the system. Although this approach could work, there are several reasons it is not economical at this time. First, whether the City buys one or several generators, it will not receive the same price as a large vendor that purchases dozens or hundreds of generators per year. Second, the switch-gear and controls to utilize this generator for peak-shaving use (to reduce electric rates paid at the plant) are specialized and not widely manufactured. The purchase price for to the City or a local electrical contractor would be significantly higher than for a vendor that either manufactures this equipment or buys it in bulk. Third, the City is likely to pay more to both the installer and OMI if equipment is purchased from various sources and they are expected to integrate those materials and put them into service. If multiple suppliers and product representatives are involved, there is also an increased risk of disputes and delays. Finally, and possibly most importantly, is timing. If the generator is not on-line by June 1st, one full year of potential savings ($150,000) will be lost.

OMI

MEMORANDUM

TO: David Jurgens
Matt Taylor

FROM: Billy Ammons

DATE: January 31, 2005

SUBJECT: Purchase of Power Secure Generator

The subject of backup power generation for the existing and proposed wastewater treatment facilities has been discussed on numerous occasions over the past year or so with all interested parties, including Greg Boettcher, OMI employees, and consultants from Burns & McDonnell(BM)-Black & Veatch (BV)-McGoodwin, Williams & Yates (MWY), and various other sub-consultants. At least one vendor presentation on this subject was also held during 2004 at the offices of MWY. Due to the extreme complexities involved with this subject, however, no resolution had been reached as of October 2004.

A meeting was scheduled at the Noland WWTP to allow a company called Power Secure to present their concept of backup power generation and the use of the 'Off-Peak' rate structure available in Arkansas to help offset the cost of the generators. Representatives of BM, BV, MWY, OMI, and the City were present on 28 October. The presentation was well received and the general consensus of the group was that this was the best alternative yet proposed and the direction that should be pursued. The cost estimates available from electrical sub-consultants ranged from \$850,000 - \$1,000,000 for a similar system, and the Power Secure system final cost of \$877,042 after complete configuration was thought to be extremely competitive, especially for a completely integrated turnkey system.

After much discussion, it was determined that due to the somewhat fragmented procurement schedule for the separate Wastewater System Improvement Project (WSIP) contracts, procuring the equipment from Power Secure or any specific single vendor would be very difficult. The suggestion was made that the generators be procured in a manner similar to the highly successful belt-filter-press negotiated purchase, which resulted in an expedited purchase and great savings for the City. Greg Boettcher indicated that the BFP procurement model could not be followed exactly, since there was not an existing generator to show the need for standardization. Mr. Boettcher did suggest that OMI could purchase the generators on behalf of the City and that the City would then pay back the costs for the generators over a five year period, thus extending OMI's contract for an additional five years while at the same time allowing the City to pay for the generators from the savings acquired by going to the 'Off-Peak' rate structure in a positive cash-flow scenario.

OMI agreed to examine this arrangement and investigate additional alternatives if available, then present a solution to the City. Everyone at the meeting recognized the need for quick action, as the deadlines for moving forward on each of the major construction contracts was drawing near. Over the next few weeks, OMI contacted NexGen, a company who has provided similar services to those proposed by Power Secure at OMI projects in the Northeastern U.S., in an attempt to secure competitive pricing for the Fayetteville generator project. After reviewing the application and the specific requirements of the Fayetteville facilities, however, NexGen declined to provide a competitive price or even to indicate that they would be willing to participate in any way.

Since no other viable alternative was readily apparent and the City and their consultants had previously agreed that the Power Secure option appeared to be the most practical, OMI subsequently met with Power Secure officials and investigated various contract options between OMI, Power Secure, and the City that might accomplish the desired result while still providing all parties adequate protection. After several discussions with City officials, it has been decided to purchase only one generator at this time, install the generator at the Noland facility, and move to the 'Off-Peak' rate structure as soon as possible. The purchase of this generator and accompanying switchgear as a turnkey system from Power Secure has been determined to be the only viable alternative. To this end, a proposed contract amendment between OMI and the City that directs OMI to affect this purchase and installation has been drafted and will be presented to the City Council for approval on Tuesday February 1st.

SCOPE OF POWERSECURE SERVICES

In general, PowerSecure (PS) will provide the following services to serve The Paul R. Noland Wastewater Treatment Facilities in Fayetteville, Arkansas.

2000 kW Standby; 1825 kW Prime; 480Y/277V; CAT Bi-Fuel Generator
Sound Attenuated to 75db at 10 meters

PS will provide all work necessary for the complete installation of the system, including but not limited to:

1. Site Preparation
2. Excavation
3. Concrete Pads
4. Primary Electrical Interconnection
5. Medium Voltage Recloser
6. Power Transformer
7. NexGear® Advanced Paralleling Switchgear
8. CAT Engine Generator
9. Weatherproof Enclosure
10. Engine Generation System Auxiliary Systems
11. Power Feeders
12. Control Wiring
13. In-Service Training
14. Operations Manuals

PS will provide all engineering and design services necessary to complete construction documents for this project in accordance with the State of Arkansas, including construction documents signed and sealed by a Registered Professional Engineer of Record in Arkansas.

The Generation System will include:

Engine Generator Set including:

a. Permanent Magnet Generator
b. Electronic Engine Governor
c. Charging Alternator 24V
d. Lead Acid Batteries, Rack and Battery Charger
e. Engine Cooling System
f. Exhaust System with Silencer
g. Double Wall (UL142), 3000 Gallon Sub-base Tank with Level Sensors.
h. Weather Resistant Enclosure
i. Lubricating Oil and Antifreeze – Initial fill
IV. Bi-Fuel System

Each CAT 3516B Engine Generator will be equipped with a Series IV-B PowerSecure Standard Bi-Fuel Conversion System. Each Bi-Fuel System shall include a gas train kit and control system accessory kit.

PS will provide a NexGear® Advanced Paralleling Switchgear (APS) for each generation system to provide the following Modes of Operation:

1. Load Management Mode: Long-term Synchronized/Parallel Operation with Ozark Electric Cooperative

2. Islanding Mode: Short-term Synchronized Operation with Ozark Electric Cooperative followed by a Make-Before-Break Separation from Ozark Electric Cooperative.

3. Standby Mode: During Ozark Electric Cooperative outages, each system will provide the following Automatic, Dead Bus, Block Load Transfer of a maximum of 2000kW

4. Test Mode: Synchronized/Paralleled Operation at Full Load, without Interruption of facility's Normal Electrical Service.

Each APS will utilize a Woodward Controller, Cutler Hammer System Circuit Breaker(s), Beckwith Utility Grade Multifunction Intertie Relay(s), and all U.L. listed components.

Each APS will include all necessary functions to prevent connection or parallel operation of the IDG® System with Ozark Electric Cooperative unless the service voltage and frequency are of normal magnitude, and will meet Ozark Electric Cooperative published interconnection requirements.

PS will utilize their in-house licensed Electrical Construction Group to provide a fully coordinated installation. The PS Project Manager will serve as the single point interface with Ozark Electric Cooperative during construction/start-up and will be present on-site for all critical activities and key construction milestones.

The entire system comes standard with a one year warranty, and the City has elected to purchase an additional four year extended warranty.

PS will provide onsite in-service training on the operation and maintenance of the system.

Burns & McDonnell
SINCE 1898

Date: February 1, 2005

To: Matt Taylor
Jerry Sonderegger
Jim Norris

From: Brian Foy

Re: Power Secure Estimate

The lead electrical cost estimator at Burns & McDonnell has completed a cursory review of the Power Secure estimate. He has been with Burns & McDonnell for 15 years and prior to that was an estimator for an electrical contracting company for 10 years. He has done many estimates on projects with generators and has worked closely with manufacturer's representatives on these projects.

The evaluation was based upon a review of manufacturer cut-sheets and a scope-of-work provided by Power Secure. Two quotes were received, on a budgetary basis, from different generator vendors who believed they could meet the requirements of this project. After applying the installation labor, materials, contractor overhead and markups to the equipment quotes, our estimator arrived at a budgetary cost of approximately $800,000.

The evaluation was cursory in nature and should be used for rough budgetary purposes only. If you have any questions regarding the cost review, please feel free to contact me at 816-822-3039.

9400 Ward Parkway
Kansas City, Missouri 64114-3319
Tel: 816 333-9400
Fax: 816 333-3690
www.burnsmcd.com

AMENDMENT NO. 12

TO

AGREEMENT FOR OPERATIONS, MAINTENANCE AND MANAGEMENT SERVICES FOR THE CITY OF FAYETTEVILLE, ARKANSAS WASTEWATER TREATMENT PLANT

THIS AMENDMENT NO. 12 to the Agreement for Operations, Maintenance and Management Services for the City of Fayetteville, Arkansas Wastewater Treatment Plant dated September 1, 1994 (the "Agreement"), made effective on the 1st day of January, 2005, by and between the City of Fayetteville, Arkansas, whose address for any formal notice is 113 W. Mountain St, Fayetteville, Arkansas 72701 (hereinafter the "City") and Operations Management International, Inc., with offices at 9193 S. Jamaica Street, Suite 400, Englewood, Colorado 80112 (hereinafter "OMI") is made and entered into for purposes of amending certain provisions of the Agreement, to prevent the facilities covered by the Agreement from being deemed to be used in the trade or business of OMI pursuant to Section 141 (b) of the Internal Revenue Code of 1986, as amended.

NOW THEREFORE, the City and OMI agree to amend the Agreement as follows:

1. Article 4.1 is hereby deleted in its entirety and replaced with the following Article 4.1:

   4.1 For services rendered during calendar year 2005 the City of Fayetteville shall pay to OMI the actual cost of services performed plus an annualized management fee of Eighty One Thousand Six Hundred Ninety Seven Dollars and Eighty Six Cents. ($81,697.86). Said fee and estimated cost (base fee) shall be paid in twelve (12) equal monthly installments. The management fee for subsequent years will be determined proportional to the increase in estimated cost.

2. Article 4.3 is hereby deleted in its entirety and replaced with the following Article 4.3:

   4.3 OMI estimates the cost for services for calendar year 2005 shall be Five Million Three Hundred Twenty Seven Thousand Two Hundred Fifty Two Dollars and Eighty-Nine Cents ($5,327,252.89). Details of said cost are shown in Appendix J. The base fee shall be negotiated each year in September for the upcoming calendar year. Should the City and OMI fail to agree, the base fee will be determined by the application of the base fee adjustment formula shown in Appendix F. Should the actual expenditures exceed estimated expenditures by more than Twenty Thousand Dollars ($20,000), in any year of this Agreement, specific approval will be obtained from the City prior to OMI incurring additional costs.

3. A new Appendix L is added in the form attached hereto.

This Amendment No. 12 together with the Agreement, constitutes the entire agreement between the Parties and supersedes all prior oral and written understandings with respect to the subject matter set forth herein. Unless specifically stated all other terms and conditions of the Agreement shall remain in full force and effect. Neither this Amendment nor the Agreement may be modified except in writing signed by an authorized representative of the Parties.

The Parties, intending to be legally bound, indicate their approval of the Amendment by their signatures below.

OPERATIONS MANAGEMENT INTERNATIONAL, INC.	**CITY OF FAYETTEVILLE**
______________________	______________________
Roger B. Quayle	Dan Coody
Senior Vice President	Mayor
Date:________________	Date:________________

Appendix J

COST DETAIL

The annualized estimated costs for calendar year 2005 are as follows:

Description		Existing 2005 Estimated Costs		Amended 2005 Estimated Costs
Direct Labor & Benefits	$	1,671,071.00	$	1,671,071.00
Labor Markup	$	501,321.00	$	501,321.00
Electricity	$	642,720.00	$	588,480.00
Electrical Markup	$	-	$	-
Other Direct Costs	$	1,288,073.00	$	1,306,961.16
Other Direct Costs Markup	$	128,807.00	$	130,696.12
Subtotal	**$**	**4,231,992.00**	**$**	**4,198,529.28**
Fixed Fee	$	82,349.00	$	81,697.86
Lift Station Odor Control	$	69,362.00	$	69,362.00
Capital Item Amortization	$	100,622.00	$	100,622.00
Power Generator Project				
Equipment Costs	$	-	$	762,645.00
Construction Management	$	-	$	114,396.75
Total Est. O & M Budget	**$**	**4,484,325.00**	**$**	**5,327,252.89**
Total Est. Annualized Budget	$	4,484,325.00	$	5,327,252.89
Estimated Increase			$	842,927.89

The following are some of the major reasons for cost circumstances:

1. Continued increase in the efficient use of technological automation and job-sharing within the OMI network.

2. Continued upward pressure on the cost of fuel and vehicle expenses.

3. Ever increasing cost to maintain community-expected high level of performance with many pieces of equipment nearing the end of their life cycle and destined to be replaced or upgraded as part of the ongoing Wastewater Improvement Project.

4. Continued population growth causing a related increase in sludge production and ultimate sludge disposal costs.

5. Additional costs for maintenance of 4-5 new sewage lift stations during the next year.

6. Potentially less expensive sludge disposal alternatives continue to be evaluated, which may or may not become feasible within the next 12 months.

7. Addition of the Power Generator Project as described in Appendix L hereto.

Appendix L

POWER GENERATOR PROJECT - SCOPE OF WORK

Due to significantly increased emphasis on preventing all possible wastewater overflows and/or interruptions in wastewater treatment capability by the Arkansas Department of Environmental Quality and the United States Environmental Protection Agency, as well as currently available favorable electrical rate structures it has become necessary for the City to install a full-backup 2 megawatt electrical power generation equipment at the Paul R. Noland wastewater treatment plant (WWTP).

The City has reviewed available options and has determined that it desires to install a power generation system manufactured by PowerSecure, Inc. The cost of the power generation equipment (the "Equipment") to effect the implementation of the power generation system at the Noland WWTP, including applicable sales taxes and a four-year extended warranty, is estimated to be $762,645.00

OMI hereby agrees to procure and manage the construction of the Equipment on behalf of the City during calendar year 2005. The costs for managing the construction of the Equipment will be $114,396.75 and the City hereby agrees that it will repay the purchase price of and construction management costs for the Equipment to OMI over the remainder of the calendar year 2005 in equal monthly installments in accordance with Article 5.1 of the Agreement.

Copies of purchase orders, bills of sale or invoices evidencing OMI's purchase will be furnished to the City upon request.

Title to and risk of loss for the Equipment will reside with the City at all times.

In consideration of the above, the City hereby grants to OMI a security interest in the Equipment and all distributions and proceeds related thereto to secure the City's obligations under this Appendix L. The City promises to (i) pay the for the Equipment as set forth herein when due and will not sell, lease, transfer or otherwise dispose of the Equipment; (ii) not permit liens on the Equipment; and (iii) perform all acts necessary to maintain, preserve and protect the Equipment. The City further promises to execute and deliver to OMI all financing statements and other documents that OMI requests in order to maintain a first perfected security interest in the Equipment. OMI's security interest in the Equipment will terminate when the City completes performance of all obligations to OMI, including without limitation the repayment of all indebtedness owed by the City to OMI.

Notwithstanding the foregoing, if for any reason the Agreement is terminated by either party prior to the end of calendar year 2005; the City will pay to OMI the remaining balance due for the Equipment and the construction management fee, in full, within thirty (30) days following termination.

Costs for diesel fuel will be provided directly by the City of Fayetteville as described in Article 3.8 of the Agreement. Costs for natural gas, applicable taxes, insurance, maintenance, and monitoring fees will be included in the actual cost of services as shown in Appendix J.

FAYETTEVILLE
THE CITY OF FAYETTEVILLE, ARKANSAS

KIT WILLIAMS, CITY ATTORNEY
DAVID WHITAKER, ASST. CITY ATTORNEY

LEGAL DEPARTMENT

DEPARTMENTAL CORRESPONDENCE

TO: **Dan Coody**, Mayor

THRU: **Sondra Smith**, City Clerk

FROM: **Kit Williams**, City Attorney

DATE: **February 9, 2005**

RE: **Passed Resolution from Special City Council meeting of February 8, 2005**

The following Resolution was passed at last night's Special City Council meeting and is ready for the mayor's signature.

Enclosed is:

1. **Amendment No. 12 to OMI Contract:** Resolution approving Amendment No. 12 to contract with OMI and approving a budget adjustment transferring $887,000.00 from Use of Fund balance to the Wastewater Treatment Plant Generator Capital Project.

Example of Potential Savings that could be Achieved by Switching to Ozark's Electric Cooperative's Large Power Off-Peak Rate

Paul Noland Wastewater Treatment Facility
1400 N. Fox Hunter Road
Fayetteville, AR 72701
Ozarks Electric Acct. # 86778

Large Power Over 350 kVa Charges	
Service Charge:	$260.00
NCP Billing Demand Charge:	$2.18
First 150 kWh, per kW	$0.06210
Excess kWh:	$0.02850

Cost for Consumption Under the Large Power Over 350 kVa Rate Schedule

Month	* Billing Demand	kWh	Customer Charge	NCP Billing Demand Charge	Energy Charge 1st 150 kWh per kW	Energy Charge Excess kWh	Fuel Cost Adjustment	Debt Cost Adjustment	County Tax (1.5%)	State Tax (6.0%)	Total
Feb-03	2,160	1,310,400	$260.00	$4,708.80	$20,120.40	$28,112.40	-$1,231.78	$2,542.18	$817.68	$3,270.72	$58,600.40
Mar-03	2,160	1,300,800	$260.00	$4,708.80	$20,120.40	$27,838.80	$2,275.10	$2,523.55	$865.90	$3,463.60	$62,056.15
Apr-03	2,160	1,402,800	$260.00	$4,708.80	$20,120.40	$30,745.80	-$1,374.74	$5,218.42	$895.18	$3,580.72	$64,154.57
May-03	2,160	1,300,800	$260.00	$4,708.80	$20,120.40	$27,838.80	$4,729.71	$1,482.91	$887.11	$3,548.44	$63,576.17
Jun-03	2,160	1,392,000	$260.00	$4,708.80	$20,120.40	$30,438.00	$2,108.88	$1,586.88	$888.34	$3,553.38	$63,664.68
Jul-03	2,160	1,216,800	$260.00	$4,708.80	$20,120.40	$25,444.80	-$2,640.46	$912.60	$732.09	$2,928.37	$52,466.60
Aug-03	2,160	1,150,800	$260.00	$4,708.80	$20,120.40	$23,563.80	$2,041.52	$863.10	$773.36	$3,093.46	$55,424.44
Sep-03	2,160	1,201,200	$260.00	$4,708.80	$20,120.40	$25,000.20	$3,130.33	$900.90	$811.81	$3,247.24	$58,179.67
Oct-03	2,160	1,017,600	$260.00	$4,708.80	$20,120.40	$19,767.60	-$4,060.22	$1,587.46	$635.76	$2,543.04	$45,562.83
Nov-03	2,160	1,074,000	$260.00	$4,708.80	$20,120.40	$21,375.00	-$1,696.92	$1,675.44	$696.64	$2,786.56	$49,925.92
Dec-03	2,160	1,066,800	$260.00	$4,708.80	$20,120.40	$21,169.80	-$3,659.12	$1,664.21	$663.96	$2,655.85	$47,583.89
Jan-04	2,160	868,800	$260.00	$4,708.80	$20,120.40	$15,526.80	-$973.06	$1,685.47	$619.93	$2,479.70	$44,428.05
		14,302,800	$3,120.00	$56,505.60	$241,444.80	$296,821.80	-$1,350.77	$22,643.11	$9,287.77	$37,151.07	$665,623.39

* Billing demand of 2,160 kW, established during the summer of 2003, is used for all months covered by this analysis.

Annual Generator Run Hours: **100 Hours**

Prime Generator Capacity: **2,000 kW**

Fuel Cost per Kilowatt-hour: **$0.08 / kWh**

Large Power Off-Peak Charges	
Service Charge:	$198.00
NCP Billing Demand Charge:	$2.18
On-Peak Demand Charge:	$12.00
Energy Charge:	$0.0230

Cost for Consumption Under the Large Power Off-Peak Rate Schedule with Generator Operation

Month	NCP Billing Demand	# On-Peak Billing Demand	Metered kWh	Generated kWh	Service Charge	NCP Billing Demand Charge	On-Peak Billing Demand Charge	Energy Charge	Fuel Cost Adjustment	Debt Cost Adjustment	County Tax (1.5%)	State Tax (6.0%)	Total
Feb-03	2,160	160	1,310,400	0	$198.00	$4,708.80	$1,920.00	$30,139.20	-$1,231.78	$2,542.18	$574.15	$2,296.58	$41,147.13
Mar-03	2,160	160	1,300,800	0	$198.00	$4,708.80	$1,920.00	$29,918.40	$2,275.10	$2,523.55	$623.16	$2,492.63	$44,659.64
Apr-03	2,160	160	1,402,800	0	$198.00	$4,708.80	$1,920.00	$32,264.40	-$1,374.74	$5,218.42	$644.02	$2,576.09	$46,154.99
May-03	2,160	160	1,300,800	0	$198.00	$4,708.80	$1,920.00	$29,918.40	$4,729.71	$1,482.91	$644.37	$2,577.47	$46,179.66
Jun-03	2,160	160	1,338,000	54,000	$198.00	$4,708.80	$1,920.00	$30,774.00	$2,027.07	$1,525.32	$617.30	$2,469.19	$44,239.68
Jul-03	2,160	160	1,162,800	54,000	$198.00	$4,708.80	$1,920.00	$26,744.40	-$2,523.28	$872.10	$478.80	$1,915.20	$34,314.03
Aug-03	2,160	160	1,096,800	54,000	$198.00	$4,708.80	$1,920.00	$25,226.40	$1,945.72	$822.60	$522.32	$2,089.29	$37,433.14
Sep-03	2,160	160	1,147,200	54,000	$198.00	$4,708.80	$1,920.00	$26,385.60	$2,989.60	$860.40	$555.94	$2,223.74	$39,842.08
Oct-03	2,160	160	1,017,600	0	$198.00	$4,708.80	$1,920.00	$23,404.80	-$4,060.22	$1,587.46	$416.38	$1,665.53	$29,840.74
Nov-03	2,160	160	1,074,000	0	$198.00	$4,708.80	$1,920.00	$24,702.00	-$1,696.92	$1,675.44	$472.61	$1,890.44	$33,870.37
Dec-03	2,160	160	1,066,800	0	$198.00	$4,708.80	$1,920.00	$24,536.40	-$3,659.12	$1,664.21	$440.52	$1,762.10	$31,570.91
Jan-04	2,160	160	868,800	0	$198.00	$4,708.80	$1,920.00	$19,982.40	-$973.06	$1,685.47	$412.82	$1,651.30	$29,585.74
			14,086,800	216,000	$2,376.00	$56,505.60	$23,040.00	$323,996.40	-$1,551.92	$22,460.05	$6,402.39	$25,609.57	$458,838.10

14,302,800

Assumes that facility demand is peaking simultaneously with AECC peak demand (worst case scenario)

Note: Load changes at the facility will affect savings.

Estimated Large Power Over 350 kVa Annual Charge:	$665,623.39
Estimated Large Power Off-Peak Annual Charge:	$458,838.10
Estimated Annual Savings:	$206,785.29
Percent Annual Savings:	31.07%