

South Portland City Council
Position Paper of the City Manager

Subject:

ORDER #88-15/16 – Amending and extending the service agreement between Casella Organics and the City for the disposal of biosolids. Passage requires majority vote.

Position:


The City entered into a contract with New England Organics in 2006 for the disposal of biosolids. The contract was for five years and included the ability to extend it for two additional five-year terms. In 2010, the City extended its contract utilizing the first of its five-year renewal option. In 2012, New England Organics changed its name to Casella Organics.

This item is brought forward to extend the current contract for its final five-year renewal to expire January 1, 2021. Additionally, this extension includes an annual adjustment for transportation costs using a fuel adjustment formula and fuel price index as outlined in the memorandum from Paul Collins. All the other terms of the agreement remain unchanged.

Paul Collins will be at Wednesday's meeting to answer any questions.

Requested Action:

Council passage of ORDER #88-15/16.


City Manager



January 8th, 2016

To: James Gailey, City Manager
Pat Cloutier, Director

From: Paul Collins, Treatment Systems Manager

RE: Biosolids Agreement Extension and First Amendment to the Agreement – Casella Organics

As part of the wastewater treatment process, the South Portland treatment plant generates approximately 1.7 million pounds of residual biosolids yearly that must be disposed of. The biosolids are removed in a liquid form and are dewatered at the treatment plant through the use of belt filter presses that squeeze out a portion of the water to reduce the volume for disposal. The City has utilized various methods in the past to dispose of these biosolids. Changing regulatory and market pressures along with public input have helped to direct the disposal options for the biosolids to what we are using today.

The City partnered with Casella Organics (formerly known as New England Organics) with the current agreement beginning in 2006 for disposal of wastewater biosolids for a period of 20 years. The Agreement consisted of 4 - five year renewals to allow for negotiations and adjustments to the service agreement at each five year cycle. The attached Agreement Extension and First Amendment to the Agreement continues the working relationship between the City and Casella Organics for an additional 5 year period (2nd renewal) with an amendment to allow for increases in the cost of transportation of the biosolids from the wastewater treatment plant.

Biosolids generated at the treatment plant are disposed of in 40 yard trailers that are hauled by Casella to one of its disposal sites. The disposal sites include the Juniper Ridge landfill (located in Old Town), the Hawk Ridge Compost facility (located in Unity) and more recently to the compost facility operated by the Lewiston Auburn Pollution Control Authority in conjunction with Casella. This amendment focuses on the cost of diesel fuel used in the transportation of our biosolids by Casella to the various disposal sites. The price of fuel has significantly affected the cost of transportation for Casella. Casella has requested that a fuel adjustment be added to the renewal of the Service Agreement.

We have negotiated a fuel adjustment fee for the transportation of our biosolids. This adjustment to our disposal fee is based on a yearly average base diesel floor price of \$4.50 per gallon. The Agreement outlines the formula defining how the cost of disposal would be affected if the fuel price exceeds \$4.50 per gallon. The base floor price of \$4.50 represents a price approximately 10% greater than the historic yearly high of \$4.13 that was reached in 2012.

Diesel fuel prices are tracked by the U.S. Energy Information Administration. The PADD1A index will be the determining index for adjustment under the Agreement. The following link will bring you to the US Energy Information Administration website documenting the base diesel floor price.

http://www.eia.gov/dnav/pet/hist/LeafHandler.ashx?n=pet&s=emd_epd2d_pte_r1x_dpg&f=a

The Portland Water District, which also uses Casella for disposal of its biosolids, recently negotiated its biosolids disposal agreement renewal with the same terms.

Casella has been an excellent company to work with, responsive to our processing needs while maintaining full compliance with all state and federal regulations governing the disposal of biosolids. WRP is recommending that we continue this relationship with Casella renewing the agreement for an additional 5 year term.



CITY OF SOUTH PORTLAND

THOMAS E. BLAKE
Mayor

JAMES H. GAILEY
City Manager

EMILY F. CARRINGTON
City Clerk

SALLY J. DAGGETT
Jensen Baird Gardner & Henry

IN CITY COUNCIL

ORDER #88-15/16

District One
CLAUDE V. Z. MORGAN

District Two
PATRICIA A. SMITH

District Three
EBEN C. ROSE

District Four
LINDA C. COHEN

District Five
BRAD FOX

At Large
MAXINE R. BEECHER

At Large
THOMAS E. BLAKE

ORDERED, that the City Manager be and hereby is authorized to extend the biosolids agreement with Casella Organics, of Portland, ME, for the period of January 1, 2016 to January 1, 2021.

Fiscal Note: \$361,517 – 2017 Budget – estimated at 5,500 tons

(\$64.60 per ton from July 2016 to December 2016)

(\$66.86 per ton from January 2017 to June 2017)

Annual cost per ton based on an annual escalator of 80% of the CPI-U, up to a maximum of 3.5%.

Dated: January 20, 2016

AGREEMENT EXTENSION AND
FIRST AMENDMENT TO AGREEMENT
BETWEEN
CASELLA ORGANICS
AND
THE CITY OF SOUTH PORTLAND

This Amendment to Agreement is made this 20th day of January, 2016 by and between New England Waste Services of Maine, Inc. d/b/a Casella Organics, a corporation with a place of business at 135 Presumpscot St., Portland, ME (hereinafter “VENDOR”) and the City of South Portland, Water Resource Protection (hereinafter “CITY”).

WHEREAS, CITY entered into an Agreement dated January 1, 2006 with New England Waste Services of ME, Inc. d/b/a New England Organics for the receipt, transport and disposal of biosolids; (hereinafter “Agreement”)

WHEREAS, the Agreement was extended for a 5 year period by letter dated August 20, 2010; and

WHEREAS, VENDOR changed their d/b/a name from “New England Organics” to “Casella Organics” in September 2012 ; and

WHEREAS, CITY and VENDOR seek to extend the term of the Agreement for 5 years, as allowed by section 7.1 of the Agreement; and

WHEREAS, VENDOR has provided to CITY a proposal in the fall of 2015, for adjustment of pricing for the period of the extension, which CITY has accepted.

NOW THEREFORE, in consideration of the mutual promises contained herein, the parties agree to amend the Agreement as follows:

1. The Agreement is extended until January 1, 2021.
2. The pricing in effect as of the date of this Amendment shall remain in effect for the duration of this extension, with the addition of an annual adjustment for fuel per the formula and index below:

a. Fuel Adjustment Formula:

$$([(Preceding\ 12\ month\ Average\ Service\ Month\ Index\ Price/Floor\ Price)\ X\ 8\% \ X\ (Annual\ Service\ Fee\ per\ ton)] - [8\% \ X\ Annual\ Service\ Fee\ per\ ton]) = Annual\ Fuel\ Adjustor,\ per\ ton$$

b. Fuel Price Index:

US Energy Information Administration (EIA) Retail on Highway Diesel Prices index for New England: "PADD1A ". This index can be located on the internet at the following web site:

<http://tonto.eia.doe.gov/oog/info/wohdp/diesel.asp>

c. Example:

Preceding 12 Month Average Service Month Index Price	=	\$4.600
Diesel Floor Price	=	\$4.500
Annual Service Fee, per ton	=	\$64.50

$$[(\$4.60/4.500) \times 8\% \times \$64.50] - (8\% \times \$64.50) = \$0.11 \text{ per ton}$$

- d. The diesel Floor Price will be adjusted annually, for inflation, in the same method and manner as the Annual Service Fee, as per Article I, Section 1.2 A of the Agreement.
 - e. The inflation adjustment to the Annual Service Fee described above, remains unchanged.
3. Any and all terms of the Agreement not herein amended remain in full force and effect.

IN WITNESS WHEREOF, the parties have caused this Amendment to Agreement to be signed and effective the date above written.

City of South Portland

Witness

By: James Gailey
Its: City Manager

Casella Organics

Witness

By: Michael R Hodge
Its: Vice President