



TO: Mayor and Council
FROM: Rosie Truelove, Director, Contract & Land Management Department
DATE: April 22, 2011
SUBJECT: Pricing Clarification – CLMB301A – Reissue - Holly Street Power Plant Decommissioning Project

In response to our suggestion that TRC Environmental Corporation provide the City Manager's Office, CLMD, and Austin Energy voluntary information that clarifies the price reduction for their Holly Street Decommissioning Project proposal, they have provided the attached response. We suggested to TRC that they provide this clarification as we were concerned about the price differential between the first and second proposal provided by TRC. Further, we recognize the value Council, the City Manager, and our community place on transparency and thus felt this explanation was needed.

We received TRC Pricing Clarification for the Reissue of the Holly Street Power Plant Decommissioning Project via email on April 22, 2011. City Code §2-7-104 (B) requires the Authorized Contact Person to distribute the information to members of the City Council or City boards.

If you have any questions, please contact the Authorized Contact Person, MaryLou Ochoa at 974-7215.

Thank you.

Attachment

Cc: Marc A. Ott, City Manager
Rudy Garza, Assistant City Manager
Rolando Fernandez, Assistant Director, CLMD
Larry Weis, General Manager, Austin Energy
Cheryl Mele, Deputy General Manager, AE Chief Operating Officer
Kathleen Garrett, Director, Environmental Care & Protection
Rose San Miguel, PMP, Project Manager, Austin Energy
Electric Utility Commission Members
MaryLou Ochoa, CLMD (Authorized Contact Person)



505 East Huntland Drive
Suite 250
Austin, TX 78752

512.329.6080 PHONE
512.329.8750 FAX

www.TRCSolutions.com

April 22, 2011

City of Austin
Contract & Land Management Department
Contract Procurement Division
505 Barton Springs Road, Suite 1045
Austin, TX 78704
Attention: Mary Lou Ochoa

Re: TRC Response to City of Austin Contract and Land Management Questions Regarding TRC's Pricing for the Holly Street Rebid, RFP No CLMB-301A

Dear Ms. Ochoa:

We are writing in response to the City of Austin's request for information regarding TRC's proposal for the Holly Street Rebid, CLMB 301A. Specifically, the City has offered TRC the opportunity to voluntarily clarify its reduction in price for the referenced proposal. TRC understands that this communication is in full compliance with the City of Austin's anti-lobbying provisions set forth in the solicitation and under current City policies.

The initial procurement was a best overall value procurement with multiple selection criteria. TRC's proposal was deemed to be the best overall value. As you know, however, during the City's deliberations an enhanced focus was placed upon pricing, and the City decided to rebid the project. The revised Request for Proposal (RFP), emphasized price considerations more than were enumerated in the original proposal, but still considered significantly the same non-priced items set forth in the initial RFP. We took very seriously the changes set forth in the best value selection criteria and our team evaluated our entire approach to the project during the rebid process, encompassing all elements of our proposal, not just price. As examples of our non-price enhancements, TRC added additional measures into our sustainability-related activities and increased our use of local sub-contractors and local resources. Our approach clearly has a meaningful level of work being performed by the local community and includes hiring within the Holly neighborhood to fill project positions. Our outreach was conducted in a manner successfully tested in our other City of Austin projects. Regarding pricing for our rebid of the Holly Street Project, TRC took into account the clarifications received from the City in the addenda process during the second RFP, as well as the results of our thorough review of our execution methodology. We are able to offer the City a proposal with a substantially reduced price.

The following summarizes some of the sources of price savings we have now offered the City of Austin. To understand the sources of our cost savings, the starting point for comparing our two submittals must be viewed from a consistent starting point, the TRC team's net (of salvage and recycling credits) price. TRC submitted its first proposal and bid in August 2010 in the amount of \$24,900,000. The original Request for Proposal (RFP) required a \$5,000,000 credit for recycling of salvage and scrap materials. The revised RFP eliminated this requirement, thereby reducing the original price by \$5,000,000 to \$19,900,000. TRC submitted a proposal as part of the City's second request in February 2011 in the amount of \$11,500,000. At that time, the City clarified that the project work schedule would run from 2011 to the end of 2012 (i.e., 510 days assuming a July 2011 start date).

We offer the following explanations for the reduction in price and a range of estimated savings to the City of Austin:

1. TRC and its subcontractors re-evaluated the project requirements, which were clarified in Rebid Addendum 2, and identified alternative means and methods that were consistent with the project requirements. For example, in our original proposal, we assumed that non-asbestos materials would need to be removed as if they contained asbestos. In Addendum No. 2, the City of Austin confirmed that negative pressure containment is not required for removal of non-asbestos materials, resulting in savings in the range of \$3 million.
2. As previously stated, TRC submitted its original proposal in August 2010 (more than 6 months ago), when salvage and scrap prices for steel, copper and other commodities were lower and, in our opinion, trending downward. TRC submitted its revised proposal in February 2011 when scrap prices were significantly higher and trending upward. Because of the increased value of scrap and salvage, TRC was able to reduce its net rebid price by slightly less than \$3 million.
3. TRC changed its bid assumptions concerning the scope of site civil work and clarified requirements for storm water management, grouting of underground chambers, fencing, and roadway barriers, etc. and TRC was able to reduce the rebid price in a range near \$1.5 million.
4. TRC had considered using recycling facilities in Houston, TX in its original bid. In the rebid process we identified additional local contractors for recycling salvage materials, significantly reducing transportation costs. TRC was able to reduce its rebid price by approximately \$500,000.
5. TRC and its subcontractors responded to the City of Austin's concerns regarding the price of the project and agreed to perform the required scope of work for less money than previously bid. TRC was able to reduce the team's total rebid price by approximately \$600,000. This reduction came from TRC and its team member direct costs, contingency and profits for the project. We collectively made a business decision to underscore our commitment to achieving the City's goals and objectives with respect to the project.



Mary Lou Ochoa

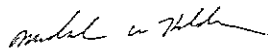
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TRC and its subcontractors are confident that we can perform this project safely, in accordance with the plans and specifications and within the desired schedule set forth within the RFP. Most importantly, we stand firmly behind our written proposal and bid and confidently believe that we continue to offer the best overall value to the City and citizens of Austin. This belief is also validated through the City's revised evaluation criteria matrix and final scoring, which continues to score TRC higher than any competing companies for this project. Finally, TRC and our Team members have lengthy, significant, and successful experience performing projects with the City of Austin and Austin Energy. This history will serve as a foundation for this project.

We hope this information helps the City of Austin achieve a clearer perspective of the pricing for our proposal. We are confident in our "best value" approach and look forward to working with you in the very near future.

Sincerely,



Michael W. Holder
TRC Project Manager

