



Request for City Council Committee Action From the Department of Public Works

Date: March 31, 2009

To: Honorable Sandra Colvin Roy, Chair Transportation & Public Works Committee

Referral To: Honorable Paul Ostrow, Chair Ways & Means/Budget Committee

Subject: **Settlement Agreement with GE / Ionics for Membrane Filtration Plant at Columbia Heights**

Recommendation:

Authorize the execution of an agreement with GE Water Process & Technologies, D/B/A GE/Ionics to resolve disputes, make corrections and improvements to Ultrafiltration Equipment, and make contract changes of \$1,550,000 for a total contract of \$18,550,000. Funds are available within the project budget (Water 07400/ 9010950 / C520020).

Previous Directives:

- On November 21, 2001, City Council accepted the low bid of Ionics, Inc. for an estimated expenditure of \$17,000,000 for a membrane filtration system (OP #5549).
- Several other actions related to Engineering firms and the General Contractor for the project.

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Approved by:

Steven A. Kotke, P.E., Director of Public Works/City Engineer

Presenters: Shahin Rezania

Reviews

Permanent Review Committee (PRC)	NA
Civil Rights Approvals	NA
Policy review Group (PRG)	NA

Financial Impact

Action is within departmental budget.

Community Impact

Neighborhood Notification: Not Applicable
City Goals: "A Safe Place To Call Home" the city's infrastructure will be well-maintained.
Comprehensive Plan: Not Applicable
Zoning Code: Not Applicable

Background/Supporting Information

The Public Works Capital Improvement Plan included building a new 70 million gallon per day Water Treatment Plant using ultrafiltration membranes as the treatment technology. This new plant, called the Columbia Heights Membrane Filtration Plant (CHMFP), replaced the old Columbia Heights Filtration Plant, constructed from 1913 to 1919. The primary objective of the plant is to provide physical removal of pathogenic microorganisms and improve the quality of water delivered to the citizens of Minneapolis.

The structure was substantially completed by the General Contractor in 2005, and the Ultrafiltration Equipment was mostly operational in 2006. However, in the detailed testing of the equipment, a small number of significant issues were identified as needing correction. City staff has continued to work with GE / Ionics and Norit / X-Flow (the membrane manufacturer) to resolve these and other issues.

In April 2008, City staff accelerated discussions with the equipment manufacturer to resolve the issues. As a part of those discussions, a settlement agreement resolving all claims between the parties was developed between the City of Minneapolis and GE Water Process & Technologies, in consultation with attorneys representing both parties.

In the settlement agreement, GE Water Process & Technologies has agreed to make necessary corrections and improvements, including providing next-generation membrane modules. The City would pay a part of the cost of the replacement of all membrane modules in the plant and start a new seven-year warranty for those modules. GE will continue to warrant the system for six months after successful completion of acceptance testing. Norit will assume from GE the seven year warranty of the membranes. City staff has negotiated a payment of \$1,350,000, a fraction of the total cost of the replacement membrane modules. The manufacturers will pay the remainder of the cost of the replacement modules.

In addition to the membrane replacement sum, a sum of \$200,000 is needed to close out the contract and to make several changes during the duration of the project to assist in the long-term operation of the plant. These changes include the purchase of two pilot units, and commissioning assistance for the last four UF units.

C: Shahin Rezania, P.E., Director of Water Treatment and Distribution Services
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