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TO: Kelsi Oswald, Director
DEI Solid Waste

FROM: Hector Collazo, Jr., Inspector General/Chief Audit Executive
Division of Inspector General

DIST: Ken Burke, Clerk of the Circuit Court and Comptroller
Mark Woodard, County Administrator
David Scott, DEI Executive Director
Sam Parker, DEI Solid Waste Program Manager

SUBJECT: Waste to Energy Facility Operator, Phase Two Contract

DATE: October 30, 2014

The Division of Inspector General was requested by management to review the request for proposal cost evaluations for two qualifying bids for the Waste to Energy Facility Operator – Phase Two contract. The purpose of this request for proposal was to establish a long-term service agreement with a qualified contractor to operate and maintain the Waste to Energy Facility (WTE). The competitive process contained two steps:

1. Determine which firms were qualified to operate and maintain the WTE.
2. Simultaneous negotiations with firms deemed qualified, development of a service agreement, and the request for pricing submittals.

The two firms deemed qualified were Covanta Projects, LLC and Wheelabrator Technologies Inc. Management requested our review because of objections raised by the current WTE operator, GCS Energy Recovery of Pinellas Inc. (GCS). The objections were raised during the October 21, 2014 Board of County Commissioners meeting, Agenda Item No. 21, award of the WTE contract. Our evaluation included verifying pricing submittals of the two qualified firms. Our cost evaluation was performed on the pricing submittals that included the following components:



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- Processing Fee – Based on processing 810,000 tons per year for the first two years and 870,000 tons per year for the remaining years.
- Technical Recovery Plan (TRP) Management Fee – Relates to the management of all repair and replacement projects contained in the service agreement.
- Total Contract Cost – Estimates for operating the WTE that include several variables.

Our objective was to verify the mathematical calculations on pricing submittals provided by the two firms and Solid Waste management that were used to determine the lowest bidder.

In order to meet our objective we:

- Met with Purchasing management to obtain the request for proposal documentation for the WTE contract.
- Obtained and evaluated the recommendation memo from DEI's Solid Waste management and supporting documentation for the award of the WTE Contract #134-0171-P (LN).
- Evaluated and tested the calculations presented on the "Pinellas County WTE Operations and Maintenance RFP Cost Evaluation" (Cost Evaluation) for the two firms.
- Reviewed the data supplied by Solid Waste used in the calculations on the Cost Evaluation, Total Contract Cost. (Same data used for the contractors' Cost Evaluation).

Our consulting review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the *Principles and Standards for Offices of Inspector General*, and accordingly, included such tests of records and other procedures, as we considered necessary in the circumstances. The review period was October 22, 2014 to October 29, 2014. However, transactions and processes reviewed were not limited by the review period.

The results of our review found:

- Covanta and Wheelabrator - The Total Contract Cost in the Cost Evaluations was accurately computed. The Processing Fee (\$/Ton) and the TRP Management Fee agreed to the firm's proposals. The calculations and the data presented on the Cost Evaluations are accurate and adequately supported.
- Covanta and Wheelabrator - The estimated Total Contract Cost for ten years were based on appropriate and reasonable assumptions.
- Covanta and Wheelabrator - The annual cost projections of the data supplied by Solid Waste used in the Cost Evaluation and Total Contract Cost were based on actual costs for 2009 through 2014.

- GCS - The Total Contract Cost was based on actual cost for the current contract.
- Due to time constraints, we were not able review the source data used in calculating the projections for Total Contract Cost to determine accuracy.

Results Of The Bid Evaluation (Ten Year Contract)

Contractor	Processing Fee and TRP Management Fee	Total Contract Cost	Net Present Value Total Project Cost
Covanta	\$159,374,513	\$477,463,294	\$450,298,002
Wheelabrator	\$204,597,567	\$536,957,633	\$506,060,041
Net Difference in Bids	\$45,223,054	\$59,494,339	\$55,762,039
GCS (*)	NA (**)	\$568,071,115	\$541,900,887

(*) Based on actual cost for the GCS current contract 2014.

(**) The current contract with GCS does not include the TRP Management Fee.