



**ERRS Program Management Office
Memorandum of Explanation**

To: Maureen Bagocius, CO
FROM: Amy Riggott/Mark Bicksler
DATE: 8/20/2012
SUBJECT: ERRS Contract: EP-W-08-061
Task Order #: 0005
Task Order Name: Roosevelt Drive Oil Site
Subcontract Consent Request for Directional Drilling

Overview:

This memorandum of explanation and attached consent package information has been prepared by Environmental Restoration, LLC (ER) to obtain consent from the U.S. Environmental Protection Agency (USEPA) for the procurement for directional drilling and installation of a horizontal drain services at the Roosevelt Drive Oil Site [Site], located in Derby, Connecticut (CT). ER was tasked by the EPA to provide these services in support of the above-referenced contract task order. To accomplish this requirement, ER generated a site specific Request for Proposal [RFP] for installation of the horizontal drain in accordance with the design specifications prepared by USEPA consultant, Losonsky & Associates, Inc dated November 16, 2011 (Losonsky, 2011).

ER was contracted by the USEPA in December 2008 to conduct Operations and Maintenance of the #6 Oil recovery systems at the former Hull Dye facility located at 134 Roosevelt Drive in Derby. The facility was most recently used as a hydroelectric plant which was powered by water from the Derby canal which came through a raceway and discharged to the adjacent Housatonic River. The plant was shut down when oil was discovered seeping into the river and a coffer dam was constructed in the tailrace to contain the seeping oil and allow it to be recovered. The USEPA has proposed the installation of a horizontal drain under the building in an attempt to eliminate the oil from seeping into the river by changing the groundwater gradient in the immediate vicinity of the tailrace foundation walls. Losonsky and Associates provided the design work for the drain system that will achieve the objective of keeping oil from entering the tailrace and allowing use of the facility for hydroelectric power. ER has been tasked by the USEPA to install the horizontal drain in accordance with the design document (Losonsky, 2011).

A total of eight vendors were contacted and sent the RFP bid package. Only two vendors, Directed Technologies Drilling, Inc. (DTD) and Directional Technologies, Inc. (DTI), were present at the mandatory bid walk on Wednesday, July 11, 2012. DTD and DTI fill a unique niche in the horizontal drilling business at the two primary contractors who provide these services to the environmental and hazardous waste industry. Many of the other drillers on the bidders list lacked the environmental background and experience needed for this project. Both DTD and DTI submitted proposals by the required submittal date of July 20, 2012. ER reviewed each response and documented the evaluation process using an evaluation form developed for this procurement which weighted specific evaluation criteria as specified in the RFP. Evaluations were completed by the ER Response Manager, Senior Technical Scientist, and Region 1 Program Manager and each selected DTD for award of the subcontractor install the horizontal drain in accordance with the specifications provided in the RFP (Losonsky, 2011). This consent request for the subcontract to DTD is in the amount of \$250,150.00. This cost includes unanticipated and unforeseen issues and costs.

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Upon review of the responses to the RFP and associated submittals, DTD was able to provide the best overall proposal based on technical approach, previous experience/qualifications, cost, and schedule.

The following is a brief discussion of the bids received in response to the RFP:

DTD is a small business based out of Bremerton, Washington which provides directional drilling services throughout the United States. DTD provided an excellent technical approach that addressed the complexity and some of the challenges that the project presents. Their qualifications and experience were well suited to the project and their proposed schedule is consistent with the needs of the project. DTD submitted a cost estimate of \$159,400.00 as their base bid to conduct the work in accordance with the RFP, which was the higher of the two received pricing proposals. However, their pricing proposal was well thought out and provides ER with additional cost information that takes some of the difficult site conditions into account. For example if multiple boulders or underground foundations are encountered where a conventional tri-cone roller bit won't work, then a mud motor will be attached to the bit for greater drilling power. This change over to mud motor will be a one time cost and it is anticipated and is part of DTD's base bid. However, not part of DTD's base bid is Standby Time. If DTD is instructed to stop work by ER, Shaw or the EPA due to unforeseen circumstances, a standby rate for the rig and crew will come into play. The standby rate is \$1,250 per hour or \$12,500 per day. ER does not anticipate anymore than two days of standby time. As is typical, standby will not be incurred in the event of equipment failure. This cost was not factored into the base bid as it is an unknown. Also not part of DTD's base bid is the use of a button bit air hammer drive system for a one time cost of \$19,500. This system would be used if drilling fluids were being lost to the surrounding formation or getting lost through fractures in bedrock. Based upon the soil boring logs, this system is not anticipated to be called into service, but a cost was given to allow ER and the EPA another option of completing the well. Also, due to the fact that there are no as-built drawings of the building foundation, the potential for structural issues in and around the borehole when drilling under the building could be a possibility. For example if chunks of concrete or large granite boulders could fall onto the drill rods trapping the complete bottom hole assembly and drill rods there would be no way to retrieve them. This type of structural failure is not anticipated, but there would be no way to excavate down to the borehole and retrieve the equipment from under the building. DTD has included a cost for lost equipment due to this type of structural failure, Again it is an unknown, but DTD has given ER and EPA notice of possible structural failures during the performance of the work. The 2012 DBA Wage determination was referenced in the body of the RFP; however, the most current DBA Wage Determination issued was included in this RFP. DTD has confirmed the most current 2012 DBA Wage Determination was used when factoring their pricing. In summary, DTD is well qualified to conduct the work and has provided competitive and realistic pricing to accomplish the work in accordance with the RFP.

DTI is a small, women owned business based out of Wallingford, Connecticut which provides directional drilling services throughout the United States. DTI provided a fair technical approach that, while it addressed some important concerns related to the drilling work, was not as detailed or site-specific as the approach provided by DTD. DTI's qualifications are well suited to the project and, while they did not provide a start date, they did provide a schedule indicating duration of the work. DTI submitted a cost estimate of \$129,750.00 for total materials and laborer per the RFP, which was the lower of the two pricing proposals. However, in their technical approach, DTI noted several instances that would require change orders without giving ER any indication of what the change orders would consist of monetarily. As a result, ER views DTI cost proposal as less reliable and riskier for cost growth. In summary, DTI, while well qualified to do the work, submitted a weak proposal that did left ER exposed to unknown cost increases and lacked detail in the technical approach.

Six other directional drilling companies were contacted to participate in the site walk and to submit a proposal for the directional drilling and installation of a horizontal drain at the Roosevelt Drive Oil Site. None of these six companies chose to participate in the site walk or to submit a proposal.



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Below are the six companies who did not participate:
Mears/HDD, Inc. located in Rosebush, Michigan
Precision Directional Boring located in Valley City, Ohio
ECI Engineers Construction located in S. Burlington, Vermont
Appalachian Coal Surveys located in Apollo, Pennsylvania
A & L Underground located in Lenexa, Kansas
The Hutchinson Group located in Murrysville, Pennsylvania

Price Reasonableness:

The bid analysis illustrates that two vendors were within 18% of each other, which demonstrates price reasonableness as documented by the bids submitted by DTD and DTI. DTD's pricing is considered more realistic given the complexities of the site that were captured and discussed in their technical proposal. DTI appeared to bid a "best case scenario" that exposes ER and the USEPA to risk of unknown cost growth.

Justification for Award:

ER intends to award a subcontract to DTD based on the following best value analysis:

- DTD provided the most realistic dollar value that meets the need of the client.
- DTD provided the best overall technical approach for this task.
- DTD had the most previous experience and qualifications to meet the requirements per the RFP.
- DTD was able to meet the schedule requirements/duration per the RFP

It is for these reasons ER believes that DTD provided the better proposal and provides the best value to ER and the USEPA.

Consent Package:

For your review the following items are included in the subcontract consent package;

- ✓ Subcontract Consent Form
- ✓ RFQ
- ✓ Summary Bid Analysis Worksheet
- ✓ Written Bids from Vendors
- ✓ Directional Drilling Bid Evaluation Forms
- ✓ Debarred/Excluded Parties Search

Please feel free to contact me with any questions you might have regarding this submittal.

Sincerely,


Amy Riggott/ Mark Bicksler



Purchase Order Request
 Date Requested: _____
 PO# Issued: _____

Vendor Information

Directed Technologies Drilling, Inc
 3476 W. Belfair Valley Road
 Bremerton, WA 98312

Contact: Dan Ombalski
 Email:
 Phone: 800-239-5950
 Fax: 814-355-2099

Ship To:
 Environmental Restoration LLC

PO CHECKLIST
 Check all forms attached
 A PO # must be issued **PRIOR TO PROCUREMENT**

- PO Request form attached
- RFQ copy attached
- Bid Analysis worksheet attached
- Written bids attached
- W-9 and Business Classification /new vendors
- Excluded Parties/Debarred Listing attached
- Insurance Certificates if applicable
- Wage Determination required
- Lien Waivers
- Sole Source

If over \$10k:
 - Correctly Completed Reps & Certs

If over \$25k:
 - FARS 52.204-10 Completed

CERTAIN OSC/CO CONSENTS ARE REQUIRED BY CONTRACT PRIOR TO PROCUREMENT, IF IN DOUBT OF AMOUNT OR SPECIFIC REQUIREMENTS CONTACT PMO

Date	RM/FCA	Terms: 60 Days			
7/20/2012	Riggott				
Cost Code	MATERIAL, SERVICE, DESCRIPTION OF WORK	QTY	UNIT	PRICE	AMOUNT
5300-005	Directional Drilling Fees per RFQ # 01-005-30AR dated 6/21/12				
	Mobilization/De-Mobilization	1	Lump Sum	\$ 16,000.00	\$16,000.00
	Project Submittals	1	Lump Sum	\$ 5,500.00	\$5,500.00
	Drill and ream horizontal bore for 6-inch pipe-soft soil	350	L. FT	\$ 155.00	\$54,250.00
	Upcharge for encountering rock, debris	350	L. FT	\$ 65.00	\$22,750.00
	Change over to mud motor	1	Lump Sum	\$ 5,000.00	\$5,000.00
	Well Completion (grout seal & surface seal)	2	Lump Sum	\$ 2,800.00	\$5,600.00
	Well Development	1	Lump Sum	\$ 8,000.00	\$8,000.00
	Vault Installation	1	Lump Sum	\$ 4,500.00	\$4,500.00
	Biopolymer drilling mud	40	LBS	\$ 125.00	\$5,000.00
	Stainless Steel Schedule 10-6" flush threaded blank riser	110	L. FT	\$ 85.00	\$9,350.00
	Stainless Steel Schedule 10-6" flush threaded well screen	150	L. FT	\$ 110.00	\$16,500.00
	HDPE - SDR-11-6"fused riser	110	L. FT	\$ 20.00	\$2,200.00
	Traffic rated vault, well head supplies & concrete	1	Lump Sum	\$ 4,750.00	\$4,750.00
	OPTIONAL ITEMS				
	Standby Time	20	hours	\$ 1,250.00	\$25,000.00
	Change over to air hammer, includes rental of compressor	1	Lump Sum	\$ 19,500.00	\$19,500.00
	EQUIPMENT RIDER				
	Bottom Hole Assembly (drill bit, transition, housing, sonde)	1	Lump Sum	\$ 15,000.00	\$15,000.00
	Drill Rod (15ft., 3.5-inch diameter)	23	15 ft section	\$ 750.00	\$17,250.00
	Drill Rod (10ft., 2.375-inch diameter)	35	10 ft section	\$ 400.00	\$14,000.00
					\$250,150.00

RM approved _____ Date: _____

FCA approved *ARC* Date: *8/20/12*

revised 03/04/11