

ENVIROCON CONFRONTS PRICE-BUYING HEADWINDS IN REMEDIATION

Envirocon finds opportunity in disposal of Coal Combustion Residuals as plants convert from coal to gas; seeks partnership to meet labor capacity challenge.

Jack K. Maserejian, senior vice president of **Envirocon Inc.** (Missoula, Mont.), doesn't like the recent development in the contract bidding of environmental remediation construction. "Strategic sourcing is beginning to change to cost (price) buying from value buying," said Maserejian. "Clients are more price conscious because the price of oil going down, and so are corporate profits."

Maserejian cites China's reduced bidding in the oil, gas, and mining sectors as another driver in the trend. "It's E-Bay in reverse, with reverse auctions pushing pricing down," said Maserejian.

"Envirocon is adjusting and is well diversified, servicing the industries of oil and gas, energy, chemical, nuclear, mining, manufacturing, and aerospace," said Maserejian, "so, one industry represents less than 10% of revenue." In 2015 Envirocon earned around \$130 million in revenue, a slight growth over the previous year according to Maserejian.

"The downside to price from value bidding is we probably are responding to less opportunities than we would like to," he said, "but due to our discipline in pursuing and educating value buying clients, our win rates have significantly increased."

Founded in 1988, the privately held environmental construction remediation firm services government and private sector clients in the United States and Canada. Envirocon is one of nine privately held businesses in the **Washington Companies**, founded by industrialist and entrepreneur Dennis R. Washington.

"Our roots are environmental construction and we have grown organically in construction without a consulting side,"

said Maserejian. "We work closely with engineering firms and the consulting industry and choose not to compete — both are clients," he said.

The firm's services include environmental remediation, decontamination, decommissioning and demolition, dredging and sediment remediation, geotechnical construction, nuclear, and government services.

"A lot of our equipment we own (about \$20 million) and one of our sister Washington Companies is a heavy equipment company so equipment is easily available," he said.

Maserejian credits the company's client pre-qualifying strategy process in surviving the challenge of a market shifting from value to price buying.

From January 2015 to January 2016 the firm's pipeline has increased by almost 20% according to Maserejian. "Roughly 10% of the pipeline increase has been in aerospace, mining, oil and gas," he said, "the other 10% is related to coal ash remediation and coal plant demolition in the utility sector."

"Fifteen percent of the business is federally driven — Army Corps of Engineers, Department of Energy (DOE) and Department of Defense (DOD)— 85% is private sector with a 10% federal contract growth particularly from DOD radiological facility legacy sites."

Recent federal projects include:

- EPA North Cavalcade Street Superfund site remediation and demolition of former wood-treating plant and all associated appurtenances, including a permanent cap for 2-acre landfill and in-situ stabilization of creosote and DNAPL impacted soil.
- DOD former nuclear weapons plant at Rocky Flats radiological remediation. Services included isotopes of plutonium, americium, uranium, cesium, solvents, manufacturing chemicals, beryllium, and asbestos.
- DOE Lawrence Livermore National Laboratory (LLNL) decontaminated three machining centers. Identifying waste streams, dismantled and removed beryllium contaminated equipment.

SURGE OF ACTIVITY IN COAL ASH CLEANUP AS PLANTS CONVERT FROM COAL TO GAS

The EPA's 2015 Disposal of Coal Combustion Residuals (CCR) from the Electric Utilities final rule under the Resource Conservation and Recovery Act (RCRA) has brought a surge of activity in the utility sector for Envirocon. The rule was prompted by the catastrophic large coal ash spill that occurred on Dec. 22, 2008 at the Tennessee Valley Authority (TVA) power plant in Kingston, Tenn., releasing coal ash into the Emory and Clinch rivers.

Under RCRA the EPA regulations address the risks from the disposal of CCRs generated from the combustion of coal at electric utilities and independent power producers. The new rule establishes national minimum criteria for existing and new CCR landfills and existing and new CCR surface impoundments, all lateral expansions consisting of location restrictions, design and operating criteria, groundwater monitoring and corrective action, closure requirements and post closure care, record keeping, notification, and internet posting requirements.

It is a huge shift for corporate reserves addressing very large liabilities of converting to gas from coal over the next 5 to 10 years, with funding also coming from rate payers.

“Several hundred plants are converting from coal to gas, others are being mothballed, and a large number are being demolished,” said Maserejian. “Envirocon offers companies turnkey services handling industrial plant demolition, coal ash pond remediation, and geotechnical construction of slurry walls.”

In 2015 Envirocon was awarded by the Department of Energy an ash remediation project at the Savannah River Site in South Carolina. The contract demanded numerous pond and landfill closure projects. “We are staying competitive by servicing and remediating former longstanding clients to leverage CCR remediation,” said Maserejian.

Envirocon’s demolition group recently completed an ash silo demolition project at a large power generation facility in Tennessee. The pilot project for the client’s future plant demolition and coal ash site closures involved installation of storm water pollution control to protect an adjacent waterway and minor asbestos abatement in the silo truck bays.

“Large coal ash ponds have to be addressed in a time limit and... there are not enough contractors to close out all sites in the Federal stipulated time frame.”

“While we don’t have a regional footprint, we are finding the coal ash and demolition work is primarily in the Northeast, Midwest, and a little in the Gulf region,” said Maserejian.

Overall, remediation associated with the dramatic shift from coal to gas represents 30% of Envirocon’s services on the utility side and has created a labor capacity challenge for the company.

“Large coal ash ponds have to be addressed in a time limit, and this is creating a capacity limit for industry as there are not enough contractors to close out all sites in the Federal stipulated time frame,” he said. “We are having a hard time bringing on qualified labor support. There are currently 20 open positions.”

To fill the labor void Envirocon is looking for a partnership. “We are looking to partner with a financially stable company, I really can’t say more right now,” said Maserejian. “It would be a repeat of a partnering developed in the past, only a new one because of the new challenges,” he said. “It’s going to take a little bit longer due to our selectiveness.”

Maserejian credits the company’s client pre-qualifying strategy process in surviving the challenge of a market shifting from value to price buying. “It’s a lot better to reduce bidders to level the playing field where we are working with qualified clients that share our values and culture of superior health and safety workers,” he said, “that saves our time, energy, and money.”

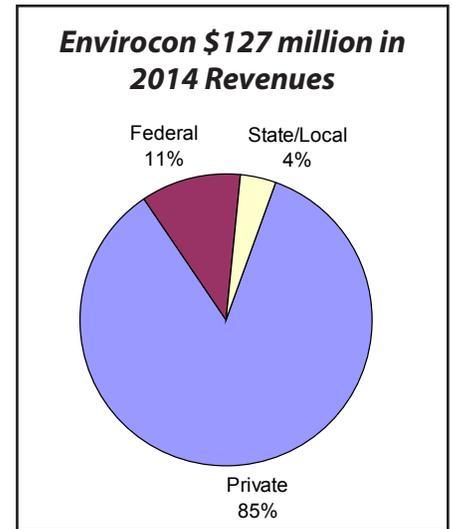
“Unfortunately the culture is heading the other way forcing us to be more disciplined or we aren’t going to be around very much longer,” said Maserejian.

Maserejian cites two major competitors who filed for bankruptcy in the last 12 months as an example of what can happen if firms continue to pursue the price buyer.

“What’s the sense of servicing cost buying clients if you can’t make money,” he said. “Those bankruptcies are a good example why we don’t pursue public bids with open doors,” said Maserejian, “but we are seeing more of that.”

Maserejian’s hope and expectation is for Envirocon’s peers and competitors to take a position of being more selective in educating and pursuing value buying clients.

“Bottom line, for the next three years we are very optimistic because we are seeing an uptick in the pipeline.” □



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