



OPERATIONS COMMITTEE

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Agenda Report

File #: 2022-2246

Agenda Date: 5/4/2022

Agenda Item No: 9.

FROM: James D. Herberg, General Manager
Originator: Riaz Moinuddin, Director of Operations & Maintenance

SUBJECT:

**REGIONAL ODOR AND CORROSION CONTROL SERVICES (ROCCS) PROGRAM,
SPECIFICATION NO. C-2017-899BD - CONTINGENCY INCREASE**

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION: Recommend to the Board of Directors to:

- A. Approve a chemical unit price contingency increase of \$146 per dry ton (an additional 20% of the base price) to the Ferrous Chloride Contract with Hill Brothers Chemical Company for the term July 1, 2022 through June 30, 2023, for a new total unit price contingency of \$257.30 per dry ton (35%) for total estimated usage of \$3,028,675;
- B. Approve a unit price contingency increase of 15% for application and field services fees for Ferrous Chloride with Hill Brothers Chemical Company for a new total unit price contingency of \$7.50 (30%);
- C. Approve a fuel surcharge of 4% on Ferrous Chloride deliveries with Hill Brothers Chemical Company, with quarterly Consumer Price Index (CPI) adjustments;
- D. Approve a chemical unit price contingency increase of \$65 per dry ton (an additional 12% of the base price) to the Magnesium Hydroxide Contract with Hill Brothers Chemical Company for the term July 1, 2022 through June 30, 2023, for a new total unit price contingency of \$146.26 per dry ton (27%) for total estimated usage of \$2,637,031; and
- E. Approve a chemical unit price contingency increase of \$0.58/gal (an additional 17% of the base price) to the Calcium Nitrate Contract with USP Technologies for the term July 1, 2022 through June 30, 2023, for a new total unit price contingency of \$1.06/gal (32%) a total estimated usage of \$847,427.

BACKGROUND

The Orange County Sanitation District (OC San) uses chemical injection systems in its sewage collection system to reduce the formation of Hydrogen Sulfide in the vapor space of the system. Hydrogen Sulfide is a nuisance odorant that smells like rotten eggs and can cause corrosion of concrete and steel. The ROCCS program currently operates 10 continuous chemical dosing sites located in nine member-agency cities to reduce odors in the OC San service area and extend sewer

pipes' life expectancy. Staff maintains oversight and daily interaction with the outsourced service providers.

In May 2018, OC San awarded an agreement to Hill Brothers Chemical Company and USP Technologies for the ROCCS Program, Specification No. C-2017-899BD, for the supply, delivery, and dosing services of ferrous chloride, magnesium hydroxide, and calcium nitrate. These agreements provide continuous chemical dosing within the regional trunk system and major tributary sewers using a combination of three chemicals for various applications. In addition to supplying the chemicals, the suppliers will provide all necessary equipment, including tanks, containment, pumps, piping, secure fencing, and equipment monitoring to determine tank levels, leaks, and pump rates.

RELEVANT STANDARDS

- 12 or fewer odor complaints per year under normal operating conditions in the collection system
- Zero odor incidents/events during normal operating conditions for Plant Nos. 1 and 2
- Operate and maintain facilities to minimize impacts on surrounding communities, including odor, noise, and lighting

PROBLEM

When staff initiated the agreement renewal process with the suppliers, the suppliers notified staff of an increase in the unit price of ferrous chloride, magnesium hydroxide, and calcium nitrate, associated field services, and a fuel surcharge fee, which exceeds the Board authorized contingencies.

PROPOSED SOLUTION

Staff recommends the approval of the negotiated unit price increases and additional contingencies for the remaining year of a multi-year contract. Staff will re-bid for future services.

TIMING CONCERNS

If no action is taken, then a lapse in service for odor control will occur.

RAMIFICATIONS OF NOT TAKING ACTION

Without action, ferrous chloride and magnesium hydroxide addition in the collection system will cease. Normal biological action in the sewer system will produce hydrogen sulfide in an uncontrolled manner, which causes odor and corrosion problems in the collection system.

PRIOR COMMITTEE/BOARD ACTIONS

May 2021 - Approved a unit price contingency increase of \$0.74/gal to the Calcium Nitrate Contract with US Peroxide, LLC dba USP Technologies for the term July 1, 2021, through June 30, 2022, for a new total amount of \$3.21/gal; for a total estimated usage of \$1,071,339; and approved Amendment No. 2 to the contract with Hill Brothers Chemical Company to approve an additional application

service rate of \$80/per site per day and a field service rate of \$80/per site per day, and a flat surcharge delivery fee of \$400 for a small truck delivered for low dosage site of ferrous chloride only, including, but not limited to Crystal Cove Pump Station and Tiffany Lift Station.

April 2018 - Awarded an Agreement to Hill Brothers Chemical Company for the ROCCS Program, Specification No. C-2017-899BD for ferrous chloride chemical supply and dosing services for the period July 1, 2018, through June 30, 2019, with four (4) one-year renewal options for the supply and delivery of ferrous chloride at the unit price of \$508.82/dry ton delivered (plus applicable sales tax) with application services at a unit price of \$25/per site per day and field services at a unit price of \$25/per site per day for an estimated total annual amount of \$2,001,263, and approved annual unit price and program price contingency of 15% per agreement.

ADDITIONAL INFORMATION

Staff was notified of the additional unit price increases for the three chemicals, as well as a fuel surcharge fee. The vendors cited increases in fuel and transportation costs, energy costs, and inflation of commodities. Staff was able to negotiate a reduction in increases on the field service rates for ferrous chloride from a 52% increase to a 30% increase. Magnesium Hydroxide was negotiated down from 32% to a 24% increase and Calcium Nitrate was negotiated down from 32% to 28%. Due to the extreme volatility in chlorine manufacturing, staff was unable to negotiate a lower price for Ferrous Chloride.

Some of the reasons cited for the unit price increases are trucking and rail freight fee increases, the limited supply of critical raw materials, and market conditions. In addition, escalating energy costs are significantly impacting the cost of operations for the chemical manufacturers, who are imposing a temporary 4% fuel surcharge until the average price of diesel fuel falls below \$3.50/gallon.

Staff is continuously monitoring the use of the chemicals in the collections systems and adjusting dosing rates, monitoring the effects of chemical ratio changes, and generally investigating ways to optimize chemical usage to increase chemical odor treatment efficiency in the collections system. Staff is also looking at alternative chemicals and combinations of alternative chemicals for potential use for odor control and has initiated a Chemical Resiliency Study. Based on the study, staff will commence trials of changes to chemical dosages.

Staff intends to bid out the ROCCS contracts for the Fiscal Year 2023-24. The estimated usage for the Fiscal Year 2022-23 is 2,913 dry tons of Ferrous Chloride, 3,509 dry tons of Magnesium Hydroxide, and 181,314 gallons of Calcium Nitrate.

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with authority levels of OC San's Purchasing Ordinance. This item has been budgeted in the FY 2021-22 Budget Update, Operating Expense, Operating Materials and Supplies, Paragraph 3, Page 29.

ATTACHMENT

The following attachment(s) may be viewed online at the OC San website (www.ocsan.gov) with the complete agenda package:

N/A

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