

Agenda Report

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FROM: Rob Thompson, General Manager
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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:

Approve a chemical unit price contingency increase of \$398 per dry ton (an additional 40% of the base price) to the Ferrous Chloride contract with Hill Brothers Chemical Company for the remainder of the term, July 1, 2022 through June 30, 2023. The new unit price will not exceed \$1,397 per dry ton (\$1,297 for the product, plus \$100 for freight).

BACKGROUND

The Orange County Sanitation District (OC San) uses chemical injection systems in its collection system to reduce the formation of Hydrogen Sulfide (H₂S) gas in the vapor space. H₂S is a nuisance and corrosive gas. When left untreated, it will corrode concrete and steel. The ROCCS program operates 10 continuous chemical dosing sites in nine member agency cities to control H₂S formation for asset preservation and nuisance odor reduction. Staff maintains oversight and daily interaction with the outsourced service providers.

In May 2018, OC San awarded Hill Brothers Chemical Company (HBCC) and USP Technologies contracts for supplying, delivering, 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 synergistically. In addition to supplying the chemicals, the suppliers provide all necessary equipment, including tanks, containment, pumps, piping, secure fencing, equipment monitoring, and pump rates. OC San is rebidding the Ferrous Chloride contract, which is expected to become effective June 30, 2023.

RELEVANT STANDARDS

- 12 or fewer odor complaints per year under normal operating conditions in the collection system
- Operate and maintain facilities to minimize impacts on surrounding communities, including odor, noise, and lighting

- Commitment to safety & reducing risk in all operations

PROBLEM

HBCC is requesting price relief from OC San for ferrous chloride because manufacturers (Penco Inc. and Kemira Water Solutions, Inc.) are raising their product price beginning March 1, 2023, due to supply chain constraints, transportation cost increases, and escalating raw materials costs. Chemical supplies may cease without the price increase. The 40 percent increase in price exceeds the previous Board authorized contingencies.

PROPOSED SOLUTION

Staff recommends the approval of the negotiated unit price increase for the duration of the contract term, which expires on June 30, 2023.

TIMING CONCERNS

If action is not immediately taken, a lapse in ferrous chloride chemical delivery will occur.

RAMIFICATIONS OF NOT TAKING ACTION

Without action, deliveries of ferrous chloride for the collection system will cease. Regular biological activity 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 2022 - Approved 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; approved 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%); approved a fuel surcharge of 4% on Ferrous Chloride deliveries with Hill Brothers Chemical Company, with quarterly Consumer Price Index (CPI) adjustments; approved 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 approved 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.

May 2021 - Approved a unit price contingency increase of \$0.74/gallon to the calcium nitrate contract with US Peroxide, LLC dba USP Technologies for the Regional Odor and Corrosion Control Services, Specification No. C-2017-899BD (PO 106291-OB), for 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 for Regional Odor and Corrosion Control

Services, Specification No. C-2017-899BD (PO 106264-OB), for the period beginning July 1, 2021 through June 30, 2022, to approve an additional application service rate of \$80/site per day, a field service rate of \$80/site per day, and a flat surcharge delivery fee of \$400 for small truck deliveries (under 2,500 gallons) for low dosage sites of ferrous chloride only, including but not limited to Crystal Cove Pump Station and Tiffany Lift Station.

April 2018 - Awarded a Chemical Supplier Agreement to Hill Brothers Chemical Co, for the ROCCS Program, Specification No. C-2017-899BD, for the following chemical supply and dosing services for the period July 1, 2018 through June 30, 2019, with four (4) one-year renewal options, for the: 1. 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; 2. Supply and delivery of Magnesium Hydroxide at a unit price of \$498.62/dry ton delivered (plus applicable sales tax) with Application Services of \$80/per site per day; Field Services of \$80/per site per day and demurrage (Special Circumstances) of \$635/dry ton (plus applicable sales tax) with a dosing fee of \$190/hour for an estimated total annual amount of \$2,505, 152; 3. An annual not to exceed agreement allowance of \$50,000 for mobilization and demobilization services; and awarded a Chemical Supplier Agreement to US Peroxide, LLC dba USP Technologies, for the ROCCS Program, Specification No. C-2017-899BD, for the period July 1, 2018 through June 30, 2019, with four (4) one-year renewal options for the supply and delivery of Calcium Nitrate at the unit price of \$1. 975/gallon delivered (plus applicable sales tax) with Application Services at a unit price of \$25/per site per day; Field Services at a unit price of \$25/per site per day; a Crystal Cove delivery fee of \$175 per delivery for an estimated annual amount of \$498,794: With an annual not to exceed agreement allowance of \$50,000 for mobilization and demobilization services; and approved an annual unit price and program price contingency of 15%, per agreement.

ADDITIONAL INFORMATION

Staff was notified of the additional unit price increase of ferrous chloride in December 2022 and negotiated a reduction in price for ferrous chloride from a 52 percent increase to a 40 percent increase. Due to the extreme volatility in chlorine manufacturing, staff could not negotiate a lower price for ferrous chloride.

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

Staff is continuously monitoring the use of the chemicals in the collection systems and adjusting dosing rates, monitoring the effects of chemical ratio changes, and investigating ways to optimize chemical usage to increase chemical odor treatment efficiency in the collection systems. Staff is also looking at alternative chemicals and combinations of alternative chemicals for potential use for odor control and has initiated a Chemical Resilience Study. Based on the study, staff will commence trials to change chemical dosages. The ROCCS contracts for FY 2023-24 are being bid. The estimated usage for the FY 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 the OC San's Purchasing Ordinance. This item has been budgeted in the FY 2022-2023 & FY 2023-2024 Operating Budget, Division 820, Supplies line item (Section 6, Page 76). The available funding is sufficient for this action.

ATTACHMENT

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

N/A