



## Agenda Report

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**FROM:** James D. Herberg, General Manager  
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**SUBJECT:**

**LIQUID FERRIC CHLORIDE SPECIFICATION NO. C-2019-1037BD CONTINGENCY INCREASE**

### **GENERAL MANAGER'S RECOMMENDATION**

RECOMMENDATION: Recommend to the Board of Directors to:

Approve a unit price contingency of \$78.70 per dry ton (13.18%) which is a \$19 per dry ton (3.18%) contingency increase to the liquid Ferric Chloride Agreement with Pencco, Inc., Specification No. C-2019-1037BD, for the period beginning July 1, 2021 through June 30, 2022. New dry ton unit cost not to exceed \$675.70 per dry ton. New contract estimated total is \$2,027,100 plus applicable sales tax.

### **BACKGROUND**

Ferric Chloride is used at both treatment plants. The main use is in the primary treatment process to enhance coagulation. Ferric Chloride also reduces odors and corrosion by controlling hydrogen sulfide formation and is added to the digesters as needed for hydrogen sulfide control.

In May 2019, the Orange County Sanitation District (OC San) Board of Directors awarded an Agreement to Pencco, Inc. for liquid Ferric Chloride, Specification No. C-2019-1037BD, for a unit price of \$597 per dry ton delivered, for an estimated annual amount of \$1,791,000 (plus applicable sales tax) with four, one-year renewal options. The Board of Directors also approved a unit price contingency of 10%.

In March 2020, staff negotiated a price increase of 9.8% which is within the 10% unit price contingency for the contract period July 1, 2020 to June 30, 2021.

When staff initiated the agreement renewal process for July 1, 2021 through June 30, 2022, Pencco notified staff that there will be an increase in the unit price for Ferric Chloride. The unit price increase is related to an increase in iron commodity pricing.

### **RELEVANT STANDARDS**

- 24/7/365 treatment plant reliability
- Zero odor incidents/events under normal operating conditions for Plant Nos. 1 and 2
- Meet volume and water quality needs for the GWRS

## **PROBLEM**

The negotiated chemical unit cost for July 1, 2021 to June 30, 2022 has increased beyond the approved contingency amount.

## **PROPOSED SOLUTION**

Staff recommends approval of a unit price increase of an additional 3% contingency or \$19/dry ton. This equates to an increase of 13.18% for the second renewal period from the original cost of \$597/dry ton. Maintaining Pencco as a supplier is consistent with OC San's strategy to maintain supplier diversity. Kemira Water Solutions, Inc. has agreed to a unit cost of \$693 per dry ton from July 1, 2021 to June 30, 2022 which is within the original contingency approval for that purchase order. Staff intends to rebid both Ferric Chloride supply Purchase Orders next year if there are price increases from the vendors.

## **TIMING CONCERNS**

The current contract expires June 30, 2021.

## **RAMIFICATIONS OF NOT TAKING ACTION**

Without action, Ferric Chloride will be supplied by only one firm with limited contracted volume. If a single vendor cannot supply enough Ferric Chloride for OC San's process needs, problems with primary treatment settleability and odor complaints in the treatment plant are possible.

## **PRIOR COMMITTEE/BOARD ACTIONS**

May 2019 - Awarded a Purchase Order Agreement with Pencco, Inc. for the purchase of liquid ferric chloride, Specification No. C-2019-1037BD, for the period beginning July 1, 2019 through June 30, 2020, for a unit price of \$597 per dry ton delivered, for an estimated annual amount of \$1,791,000 (plus applicable sales tax) with four (4) one-year renewal options; and approved a unit price contingency of 10% per agreement.

## **FINANCIAL CONSIDERATIONS**

This request complies with authority levels of OC San's Purchasing Ordinance. This item has been budgeted in the FY 2020-21 and FY 2021-22 Budget, Divisions 830 and 840 (Line item: Supplies, Section 6, Pages 84 & 88).

## **ATTACHMENT**

*The following attachment(s) may be viewed on-line at the OC San website ([www.ocsan.gov](http://www.ocsan.gov)) with the complete agenda package:*

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