

ITEM #

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DATE: February 26, 2008

COUNCIL ACTION FORM

SUBJECT: AWARD OF CONTRACT FOR SULFURIC ACID FOR THE POWER PLANT

BACKGROUND:

This contract is for supplying Sulfuric Acid to the Power Plant from March 1, 2008, through March 1, 2009. Sulfuric Acid is used to adjust the Ph levels in the water in the cooling towers. The Power Plant would not be operational without it.

On February 13, 2008, staff received one bid for this contract, from Hawkins Water Treatment Group, Slater, Iowa. The current bid represents a 290% increase in the price of sulfuric acid over the previous contract. Both the lack of bidders and the extreme price increase were anticipated. Sulfuric Acid is a commodity necessary for the operation of ethanol plants. Several potential and past bidders notified the City that Sulfuric Acid had become a very high demand product and it was not even clear if the City would receive any bids given the very limited supply in the market. Three other potential bidders notified the City they could not bid because they could not obtain product. Two potential bidders indicated they could not have secured product at a lower price than Hawkins Water Treatment Group. The previous contractor did not bid and had failed to honor the terms of the previous contract due to an inability to gain product. For the last three months the City has been forced to essentially buy product on the open market at fluctuating prices.

The approved FY 2007/08 budget includes \$39,000 for this chemical. The proposed FY 2008/09 budget includes \$60,000 for this chemical. Both budgets will be amended by the Electric Services Department at the appropriate time. There will be funding available between the 2007/08 and 2008/09 budget years for this purchase.

ALTERNATIVES:

1. The City Council may award a contract to Hawkins Water Treatment Group, Slater, Iowa, for Sulfuric Acid for the period from March 1, 2008, through February 28, 2009, based on the unit price of \$270.00 per ton in an estimated amount of \$97,200 plus applicable sales taxes.
2. Do not award a contract at this time and continue buying on the open market.

MANAGER'S RECOMMENDED ACTION:

It is essential to receive sulfuric acid for the Power Plant at the lowest possible cost consistent with the quality required to maintain Plant operations. It is also necessary to lock in prices and accountability with key contractors. By choosing alternative No. 1, the Plant would be able to achieve these goals.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, awarding a contract to Hawkins Water Treatment Group, Slater, Iowa, for Sulfuric Acid for the period from March 1, 2008, through February 28, 2009, based on the unit price of \$270.00 per ton in an estimated amount of \$97,200 plus applicable sales taxes.