

COUNCIL ACTION FORM

SUBJECT: CHEMICAL TREATMENT PROGRAM FOR POWER PLANT CONTRACT RENEWAL

BACKGROUND:

This contract is for the chemicals and services for chemical treatment of the boilers, cooling tower, coal yard, and ash ponds at the Power Plant. The scope of work includes supplying a range of chemicals, technical expertise in boiler chemistry and analysis, the ability to train Power Plant staff in maintaining the system, and detailed monitoring and analysis of the boilers to insure they are safeguarded against damage. All of this is essential for the operation of the Power Plant.

On May 26, 2015, City Council awarded a contract to ChemTreat, Inc., Glen Allen, VA, for Chemical Treatment Program for Power Plant for FY 2015/16. The services in this program were to be furnished as requested from July 1, 2015, through June 30, 2016, in an amount not-to-exceed \$125,000.

This contract included the option for the City to renew in one-year increments for up to four additional years. Staff recommends renewing the agreement for FY 2017/18. Council should note that the FY 2017/18 contract renewal with ChemTreat, Inc. includes unit price increases on the majority of chemicals supplied under this contract. There is a 5% increase on the chemicals utilized at the boiler and 3% increase on the chemicals utilized everywhere else. It is expected that the overall impact of these increases will in paying \$6,367.18 more than the previous contract term. **This is the second renewal out of four maximum.**

ChemTreat blends the vast majority of the chemicals used in our Plant, allowing for very specialized adjustments to be made to the chemicals to meet our specific needs. Some of the raw material prices are escalating. Electric Services staff reviewed the proposed increases and found them to be acceptable based on comparable market prices.

The FY 2017/18 operating budget for Electric Production includes \$274,000 for this contract. **Payments will be calculated on unit prices proposed for chemicals and services actually delivered and accepted by the Power Plant.**

ALTERNATIVES:

1. Approve the contract renewal with ChemTreat, Inc., Glen Allen, VA, for the Chemical Treatment Program for Power Plant in an amount not-to-exceed \$274,000.

This contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms at stated rates.

2. Do not renew the agreement and instruct staff to seek new competitive proposals.

MANAGER'S RECOMMENDED ACTION:

It is essential that the Power Plant receive chemicals and related treatment services at the lowest possible cost consistent with the quality required to maintain Power Plant operations. It is also important to lock in prices and accountability with key contractors. By choosing Alternative No. 1, the Plant will be able to continue achieving these goals. ChemTreat has provided the City with excellent service this past year. Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.