

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, training of Power Plant staff in maintaining the system, and detailed monitoring and analysis of the boilers to ensure 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., of 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. The first year of the contract was much smaller than typical years because the plant was going through fuel conversion and chemical usage was greatly decreased.

This contract included the option for the City to renew in one-year increments for up to four additional years. The contract was renewed in FY 2016/17 in the amount of \$266,000 and again in FY 2017/18 in the amount of \$274,000.

Staff now presents this agreement to the City Council for renewal in FY 2018/19. **This is the third renewal out of four maximum.** Council should note that the FY 2018/19 contract renewal with ChemTreat, Inc. includes unit price increases on the majority of chemicals supplied under this contract, due to increases in raw material prices. There is a 3.8% increase on the chemicals utilized at the boiler and 3.5% increase on the chemicals utilized everywhere else. **It is expected that the overall impact of these increases will result in paying \$7,626.08 more than the previous contract term.** Electric Services staff reviewed the proposed increases and found them to be acceptable based on comparable market prices.

The FY 2018/19 operating budget for Electric Production includes \$282,000 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 \$282,000.
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. 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.