

CITY OF SANTA ROSA
BOARD OF PUBLIC UTILITIES

TO: BOARD OF PUBLIC UTILITIES
FROM: EMMA WALTON, DEPUTY DIRECTOR, WATER DEPARTMENT
BRANDALYN TRAMEL, PURCHASING AGENT, FINANCE
DEPARTMENT

SUBJECT: APPROVAL OF SECOND AMENDMENT TO BLANKET
PURCHASE ORDER 165125 - EXTEND TERM, PRICE
INCREASE AND ADD FUNDS FOR FERRIC SULFATE SUPPLY

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Water and Finance Departments that the Board of Public Utilities, by resolution, approve an amendment to Blanket Purchase Order (BPO) 165125 for ferric sulfate supply with Thatcher Company of California, Inc., Downey, California, to extend the term by one-year, increase the unit price by 7%, increase the transportation price by 11%, and increase compensation in the amount of \$300,000, for a total not to exceed \$550,000.

EXECUTIVE SUMMARY

The Laguna Wastewater Treatment Plant uses ferric chloride to control hydrogen sulfide. Thatcher Company of California, Inc., is the City's current provider of ferric chloride. Due to a manufacturing shortage of ferric chloride, Thatcher Company of California, Inc., has offered, and is able to supply, a substitute product ferric sulfate until normal production of ferric chloride resumes.

BACKGROUND

Ferric chloride is a chemical used at the Laguna Wastewater Treatment Plant (Plant) to control the amount of hydrogen sulfide present in sewers and gases produced by the treatment plant's anaerobic digesters. The digester gases are utilized to fuel the combined heat and power (CHP) engines at the Plant. Hydrogen sulfide must be kept to low levels to prevent corrosion in the engines and to meet air permit requirements.

Due to an industry-wide supply chain shortage, ferric chloride is not readily available and many public water systems and publicly owned treatment facilities are experiencing

APPROVAL OF SECOND AMENDMENT TO BLANKET PURCHASE ORDER 165125 -
EXTEND TERM, PRICE INCREASE AND ADD FUNDS FOR FERRIC SULFATE
SUPPLY
PAGE 2 OF 3

serious supply chain issues. On August 20, 2021, the Assistant City Manager approved an emergency Blanket Purchase Order (BPO) 165125 with Thatcher Company of California, Inc., for a substitute product not to exceed \$100,000.

On October 1, 2021, Plant staff learned that the ferric chloride shortage is expected to continue through November 2021. On October 21, 2021, the Board of Public Utilities approved addition of funds to BPO 165125 in the amount of \$150,000 for a total not to exceed \$250,000.

On February 28, 2022, Plant staff learned that the shortage of ferric chloride supply is expected to continue with no foreseeable end date. The current emergency BPO 165125 does not have adequate funding to continue purchasing a substitute product.

The Water Department is seeking authority to amend BPO 165125 with Thatcher Company of California, Inc., to approve a 7% increase in unit price, an 11% increase in transportation cost, extend the term of the BPO for one year, and increase funds in the amount of \$300,000 for a total not to exceed total of \$550,000 to continue purchasing a substitute product.

PRIOR BOARD OF PUBLIC UTILITIES REVIEW

On October 21, 2021, the Board approved adding funds in the amount of \$150,000 for a total not to exceed \$250,000.

ANALYSIS

Two raw materials used in the manufacture of ferric sulfate are sulfuric acid and iron oxide. According to the Producer Price Index Series ID WPU0613020T1 and PCU3311, the price of sulfuric acid from April through January 2022 increased 29.12%. Furthermore, the price of iron increased 39.35% in the same time period. Based on the PPI index reference for raw material cost increase, the 7% increase in unit price is considered fair and reasonable.

Furthermore, transportation costs have increased significantly. According to the Energy Information Administration data, diesel fuel prices increased by 24.97% from 2020 to 2021. In addition, according to the American Trucking Association, there is an estimated driver shortage of 80,000 drivers in 2021. This has led to an increase in driver compensation between 15-18% to attract more drivers into the trucking industry. Based on the EIA index and ATA articles for transportation costs, the 11% increase in transportation cost is considered fair and reasonable.

The requested addition of \$300,000 for a total not to exceed \$550,000 with Thatcher Company of California, Inc., is based on a one-year estimate of current chemical usage of ferric sulfate.

APPROVAL OF SECOND AMENDMENT TO BLANKET PURCHASE ORDER 165125 -
EXTEND TERM, PRICE INCREASE AND ADD FUNDS FOR FERRIC SULFATE
SUPPLY
PAGE 3 OF 3

Ordering a substitute product through Thatcher Company of California, Inc., allows Plant staff the most expeditious means of purchasing a substitute product to protect the combined heat and power (CHP) engines, and to maintain compliance with the treatment plant's air permit.

FISCAL IMPACT

Funds required for this operational expense have been appropriated in the fiscal year 2021-2022 adopted Water Department budget. As a regular ongoing operating need, funds for this type of expenditure will continue to be included annually in the proposed Water Department budget.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not an action which has a potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment, and thus is not a project pursuant to CEQA Guidelines Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

ATTACHMENTS

- Attachment 1 - Price Quote
- Attachment 2 - PPI Index for Sulfuric Acid
- Attachment 3 - PPI Index for Steel
- Attachment 4 - EIA Petroleum Index
- Attachment 5 - ATA Driver Shortage Article
- Attachment 6 - ATA Driver Pay Article
- Resolution

CONTACT

Emma Walton, Deputy Director – Water Reuse, Water Department, ewalton@srcity.org,
707-543-4516

Brian Bokkin, Treatment Superintendent, Water Department, bbokkin@srcity.org,
707-543-3417

Brandalyn Tramel, Purchasing Agent, Finance Department, btramel@srcity.org,
707-543-3706