

# Agenda Report

October 20, 2008

**TO:** City Council  
**FROM:** City Manager  
**SUBJECT:** Authorize the City Manager to Enter into a Lease Agreement with Calgon Carbon Corporation for Water Treatment Equipment and Services for Removal of Groundwater Contaminants at Four Pasadena Water and Power Wells in the Arroyo Seco Area

## **RECOMMENDATION**

It is recommended that the City Council:

1. Find that the proposed project consisting of constructing and operating a groundwater treatment plant was subject to adequate environmental review in the Mitigated Negative Declaration adopted by the Hearing Officer on July 10, 2008, and that there are no changed circumstances or new information which would trigger further environmental review, and
2. Authorize the City Manager to enter into a lease agreement with Calgon Carbon Corporation (Calgon) for water treatment equipment and services for removal of groundwater contaminants at four Pasadena Water and Power wells located in the Arroyo Seco area for an amount not-to-exceed \$11,754,694. The lease agreement and the not-to-exceed amount include the option for the City of Pasadena (City) to purchase the treatment system from Calgon.
3. Find that competitive bidding is not required pursuant to City Charter Section 1002(F) Contracts for Professional or Unique Services.

## **BACKGROUND**

Approval of this agreement is required to commence the clean up of perchlorate and volatile organic compounds (VOCs) from the City's groundwater basin.

In the period from 1985 through 1989, four Pasadena Water and Power (PWP) groundwater wells, Arroyo, Well 52, Ventura, and Windsor, also referred to as the Monk Hill Wells, were shut down due to VOCs. In February 1990, the City and California Institute of Technology (Caltech) entered into a funding agreement whereby Caltech would provide the necessary monies to pay for a VOC treatment facility. Also, in February 1990, PWP entered into a contract with Calgon for the installation and leasing

of a 7,000 gallon per minute (gpm) VOC air stripper treatment plant. In October 1992, the Jet Propulsion Laboratory (JPL) was declared a Superfund site. The National Aeronautics and Space Administration (NASA) was assigned the role to oversee the cleanup process.

In June 1997, perchlorate, a chemical used in rocket propellant, was discovered in groundwater in the Arroyo Seco. Also, in June 1997, water pumped from the Arroyo Well contained concentrated levels of perchlorate exceeding the recommended Notification Level (formerly known as the Action Level) established by the State of California Department of Public Health (CDPH). Due to the perchlorate levels, Arroyo Well was taken out of service in June 1997. The remaining three Monk Hill Wells continued in operations with VOC removal at the air stripper treatment plant and blending the water below the Notification Level for perchlorate in PWP's reservoir prior to serving to City customers.

In January 2002, CDPH reduced the Notification Level from 18 to 4 micrograms per liter (parts per billion or ppb). As a result the remaining three Monk Hill Wells could no longer consistently blend below the Notification Level so the wells were taken out of service and have remained out of service since then. In 2004, CDPH raised the Notification Level for perchlorate from 4 to 6 ppb, but the Monk Hill Wells remained off-line due to expected higher effluent levels of perchlorate. On October 18, 2007, the CDPH established a Maximum Contaminant Level for perchlorate at 6 ppb.

On January 23, 2006, the City and Caltech entered into Contract Number 18,989 which provides funding to the City to construct and operate a treatment system for removal of perchlorate and VOCs. Since then, JPL's primary contractor, NASA, has been working with staff for the design and implementation of a groundwater treatment plant.

In December 2006, the existing VOC air stripper treatment plant was removed permanently because more effective and less costly technology had become available providing the same or higher level of treatment service and reliability.

### **PROPOSED TREATMENT SYSTEM**

A request for proposal (RFP) for provision of a 7,000 gpm perchlorate and VOC treatment equipment was sent to six vendors on September 11, 2006. Responses were received from four vendors. Evaluation of the proposals was based on price for equipment lease and filter media services, demonstrated performance on similar projects, impact to the property and the neighborhood, schedules, local Pasadena business, and small and micro business preference. A six-member vendor selection committee composed of staff, PWP's consultant, and NASA's consultant reviewed the proposals in accordance with the evaluation criteria set forth in the RFP. As a result of this process, Calgon and Siemens Water Technologies, Inc. were selected and invited for interviews.

The vendors were interviewed on December 14, 2006 and ranked by the vendor selection committee. Based on the RFP criteria, proposal content, cost, interview, technical capabilities, and references, Calgon was selected for the project. The following are the four vendors that submitted proposals and the final scores of each company.

<u>Vendor</u>	<u>Score</u>
Calgon Carbon Corporation	69.3
Siemens Water Technologies, Incorporated	66.4
Basin Water Incorporated	53.2
Carbon Activated Corporation	30.7

PWP desires to enter into a 5-year lease agreement with Calgon, with the option to purchase, which provides the greatest flexibility to the City. It does not commit the City to a system if the operating and treatment results are not achieving the objectives desired by PWP. If the system is satisfactory to PWP and further groundwater treatment is necessary, the City has the option to purchase the system or continue to lease the system. PWP and NASA have been working with Calgon for system and service modifications, which results in price adjustment to Calgon's original bid amount. These modifications are necessary to enhance greater operational flexibility, to maximize the longevity of the treatment filter media, and to best meet PWP's resource production goals and treatment objectives. Based on a 5-year lease agreement, which includes the costs for filter media replacement, the option for system purchase, and a ten (10%) contingency for unforeseen issues relating to water quality and operations, the total contract amount is as follows:

Five Year Lease, Services, and Purchase Option .....	\$10,686,085
10% Contingency.....	\$1,068,609
<b>TOTAL CONTRACT AMOUNT .....</b>	<b>\$11,754,694</b>

Based on current monitoring and evaluating of the groundwater contamination, a treatment system will be necessary for the next 18 to 20 years. Future agreements with Calgon or other vendors will be evaluated prior to the expiration of this initial agreement.

**ENVIRONMENTAL AND PLANNING DETERMINATION**

Staff prepared an Initial Study pursuant to the California Environmental Quality Act. The Initial Study evaluated potential environmental effects that may result from the proposed treatment system. On March 20, 2008, staff submitted an application for a Conditional Use Permit and the Initial Study. The Initial Study was made available to the public from June 10, 2008 to July 10, 2008 for a 30 day review and comment period. The staff analysis determined that the proposed project will not result in significant impacts with implementation of mitigation measures. A public hearing was held on July 10, 2008. The Hearing Officer certified the Conditional Use Permit and a Mitigated Negative

Declaration was adopted. On July 11, 2008, staff filed the Notice of Determination with the Los Angeles County Registrar-Recorder/County Clerk.

**FISCAL IMPACT**

Under Contract Number 18,989, Caltech will reimburse the City \$3,100,000 per year for this groundwater contamination project. The fiscal year 2009 estimated cost for the Calgon system including a 10% contingency is \$2,250,000 and is fully reimbursable under the Caltech agreement. An amount of \$5,950,000 has been appropriated for Capital Improvement Budget Number 1063, "Monk Hill Treatment Plant." Appropriations will be requested in future capital budgets to cover all anticipated expenditures for each year.

Respectfully submitted,



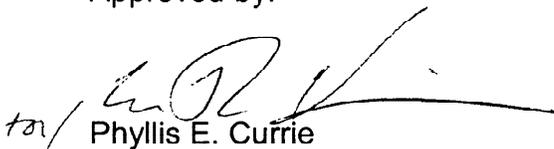
Michael J. Beck  
City Manager

Prepared by:



Gary Takara  
Principal Engineer  
Water and Power Department

Approved by:



Phyllis E. Currie  
General Manager  
Water and Power Department

**Disclosure Pursuant to the  
City of Pasadena Taxpayer Protection Amendment of 2000  
Pasadena City Charter, Article XVII**

Contractor hereby discloses its trustees, directors, partners, officers, and those with more than a 10% equity, participation, or revenue interest in Contractor, as follows:  
(If printing, please print legibly. Use additional sheets as necessary.)

**1. Contractor Name:**

*Calgon Carbon Corporation*

**2. Name(s) of trustees, directors, partners, officers of Contractor:**

Directors:	Corporate Officers:
<i>William Newlin</i>	<i>John Stanik- Pres./CEO</i>
<i>William Lyons</i>	<i>Leroy Ball- Sr. VP/CFO</i>
<i>Julie Roberts</i>	<i>C.H.S. Majoor- Sr. VP</i>
<i>Timothy Rupert</i>	<i>Robert O'Brien- Sr. VP</i>
<i>Seth Schofield</i>	<i>Gail Gerono- Sr. VP</i>
<i>Randall Dearth</i>	<i>James Sullivan- VP</i>
<i>John Stanik</i>	<i>Dennis Sheedy-V.P. &amp; Gen. Counsel</i>
<i>Robert Yohe</i>	
<i>Robert Cruickshank</i>	

**3. Names of those with more than a 10% equity, participation or revenue interest in Contractor:**

<i>Fidelity Management &amp; Research- 14.9% as of 6-30-2008</i>
<i>Invesco Aim Management Group Inc.- 11.2% as of 6-30-2008</i>
<i>Arista Capital LLC- 10.9% as of 12-31-2007</i>
<i>See also <a href="http://WWW.calgoncarbon.com">WWW.calgoncarbon.com</a> investor relations for further detail</i>

Prepared by: *Joseph P. McMahon*

Title: *DIRECTOR, Engineered Systems*

Date: *9-22-2008*

For office use only

Contract No. \_\_\_\_\_