

Agenda Report

May 20, 2013

To: Honorable Mayor and City Council
From: Water and Power Department
Subject: AMENDMENT TO CONTRACT NO. 19,780 WITH CALGON CARBON CORPORATION FOR THE MONK HILL TREATMENT PLANT

RECOMMENDATIONS:

It is recommended that the City Council:

1. Find that amending Contract No. 19,780 is categorically exempt under the California Environmental Quality Act Guidelines in Section 15301(b) (Existing Facilities); and
2. Authorize the City Manager to extend Contract No. 19,780 with Calgon Carbon Corporation ("Calgon") for the lease and purchase of water treatment equipment and media replacement services for the Monk Hill Treatment Plant from July 1, 2013 to December 31, 2015 for a total cost of \$9,531,078, and increase the not-to-exceed contact amount from \$11,754,694 to \$18,184,798.

BACKGROUND:

Pasadena Water and Power ("PWP") operates four groundwater wells in the northwest region of Pasadena. In the early 1980s, it was discovered that water from these wells contained volatile organic chemicals ("VOCs") that had been attributed to disposal practices by Jet Propulsion Laboratory ("JPL") prior to the mid-1960s. Since that time JPL has connected to a modern sewer system and eliminated its historical disposal practices. In 1990, the City of Pasadena ("City") and the California Institute of Technology ("Caltech") entered into a funding agreement whereby Caltech would provide the necessary monies to install and operate a VOC treatment facility in the Arroyo Seco. A treatment plant was built and operated from 1990 until 2002.

In June 1997, it was discovered that perchlorate, a chemical used for rocket propellant, was present in the groundwater in the Arroyo Seco. The associated elevated perchlorate levels resulted in the shutdown of one of the wells while the remaining three continued to operate with VOC treatment and blending to meet drinking water requirements. In January 2002, perchlorate requirements became increasingly stringent and resulted in the shutdown of the remaining three wells.

On January 23, 2006, the City and Caltech entered into Contract No. 18,989 which provided a funding mechanism to the City to construct and operate a treatment system for the removal of VOCs and perchlorate. The existing VOC treatment plant was permanently removed in December 2006 to make room for a combined VOC and perchlorate treatment plant. Under Contract No. 18,989 with Caltech, the City's cost to operate and maintain the new treatment plant is fully reimbursable until such time the groundwater cleanup is no longer necessary.

On October 31, 2008, the City and Calgon entered into Contract No. 19,780 whereby Calgon would provide a 7,000 gallon per minute treatment system to remove VOCs and perchlorate. The treatment system, known as the Monk Hill Treatment Plant, was installed and became operational in FY 2011. This plant has since treated over 9,500 acre-feet of groundwater. Contract No. 19,780 which includes a 36-month lease and media replacement services for the treatment equipment, will expire on June 30, 2013.

Under the conditions of the lease, Calgon is responsible for resolving issues with the facility and performing repairs and maintenance. This is a benefit which allows PWP staff to focus on plant operations. This treatment technology is the first of its kind for PWP and there are strict California Department of Public Health requirements for compliance with the City's drinking water permit. For these reasons, it is vital that PWP's resources are concentrated on plant operations while Calgon continues to resolve plant issues and repairs.

The combination of plant complexity and design, physical size, operating learning curve, and compliance requirements make a short-term lease arrangement for the treatment plant an ideal mechanism. The operating reliability would continue to improve with Calgon performing repairs and maintenance. Potential issues could be diagnosed before becoming disruptive to operations and the possibility of excessive downtime and underperformance would be significantly reduced. Over the next 2-1/2 years, the plant will treat approximately 12,000 acre-feet of water. During this time, PWP field staff will become well acquainted with plant operations and be prepared to take ownership of the facility at the end of the extended lease.

Calgon also provides media replacement services. The process to remove VOC requires the use of granular activated carbon ("GAC") while ion-exchange resin is used for perchlorate removal. Over time, the GAC and resin, known as media, become saturated with VOC and perchlorate and must be removed and replaced.

PWP desires to amend Contract No. 19,780 by extending the expiration date to December 31, 2015 under a 30-month lease term with the option to purchase the treatment equipment for \$1,334,160 at the end of the lease period. The amended contract would also provide media replacement services and lease payments. Payments for leases, media services and equipment purchases are reimbursable under Contract No. 18,989 with Caltech.

The cost for the proposed extension of Contract No. 19,780, which includes the lease and purchase of equipment and media replacement services, is approximately \$9,531,078 as shown below:

Equipment Lease.....	\$1,975,071
Media Replacement Services	\$6,221,847
Equipment Purchase Buy-Out	<u>\$1,334,160</u>
Total Cost of Amended Contract.....	\$9,531,078

On June 30, 2013 when Contract No. 19,780 expires, \$8,653,720 of the contract not-to-exceed amount of \$11,754,694 will have been expended. Staff is recommending that the contract not-to-exceed amount be increased to \$18,184,798, which is the sum of the expended amount of \$8,653,720 and the amended contract amount of \$9,531,078.

COUNCIL POLICY CONSIDERATION:

The contract extension supports the City Council Strategic Goals in that the operation of the treatment plant is consistent with the General Land Use Designation Objective 18 (Improved Environment), which calls to improve the quality of the environment for Pasadena and the region. Element Policy 18.4 (Water Quality) requires defining appropriate standards to improve water quality. In addition, operating the treatment plant is consistent with Element Policy 7.4 (Infrastructure Improvements) which encourages improvements related to upgrading the water supply system and supports the City's commitment to sustainability and environmental stewardship. The treatment plant reinforces the United Nations Urban Environmental Accords Action 19 - Develop Policies to Increase Adequate Access to Safe Drinking Water and Action 20 - Protect the Ecological Integrity of the City's Primary Drinking Water Resources. Because the City receives 40% of its water supply from local groundwater, treatment of this water source is critical in compliance with the City's drinking water permit.

ENVIRONMENTAL DETERMINATION:

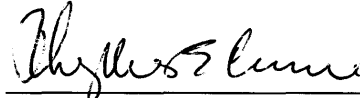
On October 20, 2008, the City Council acknowledged that the proposed construction and operation of the Monk Hill Treatment Plant was subject to adequate environmental review in the Mitigated Negative Declaration adopted by the Hearing Officer on July 10, 2008. The proposed amendment to Contract No. 19,780 would provide the continued maintenance and operation of this existing facility with no expansion of the existing use. This action is categorically exempt under the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines in Section 15301(Class 1 - Existing Facilities), which categorically exempts operation, repair, maintenance, permitting, leasing, licensing, and minor alteration of existing public or private structures, facilities, mechanical equipment, or topographic features, involving negligible or no expansion of use. Section 15301 Part (b) specifically notes that this categorical exemption applies to existing publically owned utilities.

FISCAL IMPACT:

The total cost of this action is \$9,531,078. Of the total cost, it is anticipated that \$3,371,059 will be spent in FY 2014, \$3,391,941 will be spent in FY 2015 and \$2,768,078 will be spent in FY 2016.


Funding for this action will be addressed by the utilization of future appropriations to Water Operating Budget Fund 402 (Account 8114-402-881000-00341) and Water Capital Budget Fund 412, Capital Improvement Program Account 1063 "Monk Hill Treatment Plant" (Account 8115-412-881000-02557). All operating and capital expenditures under this action item are fully reimbursable under Contract No. 18,989 with Caltech.

Respectfully submitted,



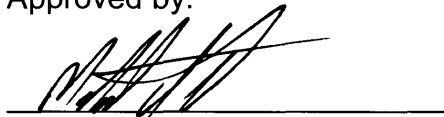
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