



Agenda Report

21-1036

Agenda Date: 8/24/2021

REPORT TO COUNCIL

SUBJECT

Authorize the City Manager to:

1. Execute Amendment No. 1 to the Agreement for the Performance of Services with Nalco Company LLC extending the term through August 31, 2023;
2. Authorize the City Manager to make minor changes to the proposed amendment attached subject to approval by City Attorney; and
3. Add or delete services consistent with the scope of the agreement and allow future rate adjustments subject to request and justification by contractor, approval by the City, and the appropriation of funds.

COUNCIL PILLAR

Deliver and Enhance High Quality Efficient Services and Infrastructure

BACKGROUND

Silicon Valley Power requires a water treatment program to help support its ongoing operations at the Donald Von Raesfeld (DVR) and Cogeneration (Cogen) power plants. The water treatment program generally includes support for water quality testing performed by SVP Operations staff, chemicals, and related services. The water treatment program is specialized for each plant, accounting for the specific machinery, operating profile, and regulatory requirements at each facility. Having a water treatment program in place extends the lives of the DVR and Cogen power plant assets by avoiding corrosion and scale buildup, and meets additional SVP business needs including:

- Safety and environmental compliance,
- Maximizing plant reliability and availability,
- Optimizing the heat rate and efficiency, and
- Minimizing the total cost of operation for the site.

DISCUSSION

In 2018, the City executed agreements with Nalco Company LLC, to provide water treatment products and associated services for the DVR and Cogen power plants as the result of a competitive Request for Proposals (RFP) process. A separate agreement was executed for each facility.

Nalco provides the following routine services at each facility: routine visits to collect operator testing data and perform inventory of treatment chemicals; ongoing guidance to SVP operators to optimize chemical usage; monitoring of control capability of water treatment systems; and submittal of reports after each visit. Additionally, Nalco makes recommendations for process improvements and cost savings measures; supports implementation of recommended improvements, submits quarterly and annual reports, provides annual training, and is available 24/7 to respond to emergency calls for

service.

Currently there are separate agreements for each plant. Staff recommends combining these agreements into a single agreement to reduce administrative time and assure consistency between the agreements. The proposed extends the term of the agreement from three years to five years and increases the maximum compensation. While the City has previously entered into three-year agreements, the City has moved to five-year agreements as an industry standard to maximize the value and time investment in the bid or RFP process. Under the separate agreements, the annual maximum compensation averaged \$198,000 per year for three years. Under the combined agreement, the maximum compensation averages \$212,000 for five years. Total costs for each product or chemical are estimated as variations in chemical usage are expected.

This proposed amendment has been developed in collaboration with the Purchasing Division of the Finance Department.

ENVIRONMENTAL REVIEW

The actions being considered do not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378 (b)(2) in that the contracts involve continuing maintenance activities.

FISCAL IMPACT

The proposed Amendment No. 1 to the Agreement for the Performance of Services with Nalco would increase the maximum compensation from \$429,785 for three-years for DVR only to \$900,000 for five-years to include DVR and Cogen. (The total cost of both agreements for three years was \$593,718. Sufficient funds are available in the Biennial Operating Budget for FY 21/22 and 22/23 in the Generation and Pumping Expense allocation for the asset requiring products or services.

Funds required for this agreement in future years will be included in proposed budgets for those corresponding years.

COORDINATION

This report has been coordinated with the Finance Department and City Attorney's Office.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

RECOMMENDATION

1. Authorize the City Manager to execute Amendment No. 1 to the Agreement for the Performance of Services with Nalco Company, LLC to extend the term of the Agreement through August 31, 2023 and increase the maximum compensation to \$900,000;
2. Authorize the City Manager to make minor changes to the proposed amendment attached subject to approval by City Attorney; and
3. Authorize the City Manager to add or delete services consistent with the scope of the agreements, and allow future rate adjustments subject to request and justification by contractor, approval by the

City, and the appropriation of funds.

Reviewed by: Manuel Pineda, Chief Electric Utility Officer

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Original Agreement with Nalco Company, LLC
2. Proposed Amendment No. 1 with Nalco Company, LLC