



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 18, 2024

FROM: PUBLIC WORKS DEPARTMENT WARDS: ALL

SUBJECT: APPROVE A CHANGE ORDER TO PURCHASE ORDER NO. 213444 WITH THE SOUTHERN CALIFORNIA GAS COMPANY FOR THE DESIGN OF AN INTERCONNECTION SYSTEM BETWEEN THE REGIONAL WATER QUALITY CONTROL PLANT AND SOUTHERN CALIFORNIA GAS COMPANY TO DELIVER RENEWABLE BIOMETHANE GAS TO SOUTHERN CALIFORNIA GAS COMPANY IN THE AMOUNT OF \$375,000, INCREASING THE TOTAL AMOUNT TO \$765,000

ISSUE:

Authorize a change order to Purchase Order No. 213444 with the Southern California Gas Company of Los Angeles, California, in the amount of \$375,000, increasing the total amount to \$765,000, for the design of an interconnection system between the Regional Water Quality Control Plant and Southern California Gas Company to deliver Renewable Biomethane Gas to Southern California Gas Company.

RECOMMENDATIONS:

That the City Council:

1. Approve a change order to Purchase Order No. 213444 with the Southern California Gas Company of Los Angeles, California, in the amount of \$375,000, increasing the total amount to \$765,000; and
2. Authorize the City Manager, or designee, to execute the Consulting Services Agreement Change Order Form and all necessary documents with Southern California Gas Company, including making minor and non-substantive changes.

BACKGROUND:

The Public Works Department, Wastewater Division operates the City's Regional Water Quality Control Plant (RWQCP) and manages the Sewer Enterprise Fund. In order to support the City's Solid Waste Division compliance with CalRecycle food waste diversion regulations, the RWQCP will use the excess biogas and future biogas created from food waste to produce renewable energy such as electricity and renewable natural gas.

In 2017, the City's RWQCP Phase 1 Rehabilitation and Expansion Project was completed. The project modernized aged treatment facilities, installed new equipment and technology

improvements, and modified processes to comply with regulatory requirements and increase liquid and solids treatment capacity. The completion of this \$192 million-dollar construction project ensures safe and reliable treatment of the wastewater and laid the foundation for developing renewable resources to support the City's sustainability efforts.

On September 15, 2020, the City Council approved a Consulting Services Agreement with Southern California Gas Company for a Preliminary Engineering Study in the amount of \$65,000 and Detailed Engineering Study in the amount of \$325,000 for a total amount of \$390,000.

DISCUSSION:

The Public Works Renewable Resource Management Plan has four resource areas - 1) Recycled Water Production, 2) Organics Receiving and Treatment, 3) Energy Production and Independence, and 4) Waste Management and Reuse. The RWQCP has the capacity produce biogas above the amount needed to support current 1.4 MW fuel cell and the future RPU/PW 2.2 MW Biogas To Energy project – this excess gas can be sold back into the market.

Southern California Gas Company (SCG) provides natural gas service for approximately 21.6 million customers and is the owner and operator of the distribution system. They are committed to helping the environment and supporting biogas development in California to meet the states greenhouse gas goals. As part of their commitment, they offer expertise and assistance to customers who want to make biogas into Renewable Natural Gas (RNG), a carbon-neutral fuel. RNG produced from organic waste, as found at the RWQCP, will result in a carbon-neutral fuel. In addition to the expertise, SCG currently offers a Biomethane Interconnector Monetary Incentive Program that provides an incentive to RWQCP to contribute up to 50 percent of interconnection costs, with a cap of \$3 million per project.

A preliminary interconnection capacity study completed in January 2020 identified that SCG distribution pipe can accommodate up to 960,000 standard cubic feet per day of RNG and the RWQCP is located less than 1,000 feet from their high-pressure distribution system.

On June 22, 2021, the SCG completed a preliminary engineering study and provided cost estimates for all facility improvements including construction cost, schematic layouts, and environmental permit applications.

Since the completion of the preliminary engineering, this project was put on hold to solicit and secure a private entity to establish a Public Private Partnership (P3) to accept, process, and treat solid waste, particularly food waste, to leverage anaerobic digestion at the RWQCP and to generate RNG. On December 19, 2023, the City Council awarded RFP No. 2222 for Biogas Upgrade and Digestate Management Facilities and the Public Works Department entered into a P3 agreement with Anaergia Services, LLC a Delaware limited liability company (LLC) doing business as Riverside Bioenergy Facility, LLC, a Delaware LLC, for the construction of the necessary facilities and management of solid waste. In addition, the City also received commitment from Burrtec, a waste management company, to consistently deliver 100 tons of food waste per day to the plant for treatment. Food waste is the primary source of RNG generation.

With the P3 entity on board and full commitment of food waste supply from Burrtec, this project would move on to the Detailed Engineering Study (DES) phase to prepare engineering plans for the construction and installation of equipment and piping to deliver RNG to SCG. Due to high inflation and significant cost increase, the estimated cost for the DES phase has gone from \$325,000 to \$700,000, an increase of \$375,000. The cost breakdown is as follows:

DESCRIPTION	Amount
Preliminary Engineering Study (completed on 6/22/2021)	\$65,000
Detailed Engineering Study (estimated on 4/20/2021)	\$325,000
Detailed Engineering Study (proposed Change Order)	\$375,000
Total	\$765,000

Purchasing Resolution 24101, Section 702 Exceptions. Competitive Procurement through the Informal Procurement and Formal Procurement process shall not be required in any of the following circumstances... Additionally, (w) When approved by the Manager, Services not subject to the bidding requirements of Section 1109 of the City Charter, which are of such a nature that suitable technical or performance specifications describing them are not readily available and cannot be developed in a timely manner to meet the needs of the City, in which case the Manager shall be authorized to negotiate with any Person or Persons for the Procurement thereof upon the price, terms and conditions need by the Manager to be in the best interest of the City and in doing so may utilize Informal Procurement or Negotiated Procurement process.

Section 1104 - Change Orders, states that “Modifications to a Purchase Order shall be made only by Change Order. Subject to the availability of funds, Change Orders may be utilized for purposes of ... (3) modifying scope of work/services being provided, where the modification is reasonably related to the original scope of work/services ... Unless otherwise specifically authorized by the Awarding Entity, Change Orders which cumulatively exceed the following will require Awarding Entity approval; (c) 10% of the original contract price for Contracts and/or Purchase Orders previously approved by the Awarding Entity and the total Change Order amount will not exceed \$150,000.”

The Purchasing Manager concurs that the recommended action complies with Purchasing Resolution No. 24101 Section 702(w) and 1104(3) and (c).

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 6 – Infrastructure, Mobility and Connectivity** and **Goal No. 6.2** – Maintain, protect, and improve assets and infrastructure within the City’s built environment to ensure and enhance reliability, resiliency, sustainability, and facilitate connectivity.

Furthermore, this project aligns with each of the Cross-Cutting Threads as follows:

1. **Community Trust** – Riverside is transparent and makes decisions based on sound policy, inclusive community engagement, involvement of City Boards & Commissions, and timely and reliable information. Activities and actions by the City serve the public interest, benefit the City’s diverse populations, and result in greater public good. The proposed improvements will enhance biogas production, a carbon- neutral fuel, which will help to lower greenhouse gas emission.

2. **Equity** – Riverside is supportive of the City’s racial, ethnic, religious, sexual orientation, identity, geographic, and other attributes of diversity and is committed to advancing the fairness of treatment, recognition of rights, and equitable distribution of services to ensure every member of the community has equal access to share the benefits of community progress. The Project will improve the operational efficiency of the sewer wastewater treatment facility and provide a higher degree of service reliability for residents in the

service area.

3. **Fiscal Responsibility** – Riverside is a prudent steward of public funds and ensures responsible management of the City’s financial resources while providing quality public services to all. The proposed Project improvements will enhance biogas production, thereby providing RNG to the SCG for customer use.
4. **Innovation** – Riverside is inventive and timely in meeting the community’s changing needs and prepares for the future through collaborative partnerships and adaptive processes. This project provides an improved solution to address the usage of food waste to produce RNG.
5. **Sustainability & Resiliency** – Riverside is committed to meeting the needs of the present without compromising the needs of the future and ensuring the City’s capacity to persevere, adapt and grow during good and difficult times alike. The proposed improvements will improve sustainability by using food waste to produce RNG, which can be used by consumers for fuel.

FISCAL IMPACT:

The total fiscal impact of this action is \$375,000. Sufficient funds are budgeted and available in the Sewer Fund, Public Works, Renewable Natural Gas Interconnection Project account number 9912523-440301 for this change order.

Prepared by: Thuy Nguyen, Principal Engineer
Approved by: Gilbert Hernandez, Public Works Director
Certified as to
availability of funds: Kristie Thomas, Finance Director/Assistant Chief Financial Officer

Approved by: Kris Martinez, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

- Attachments:
1. Original Consulting Services Agreement
 2. Letter of Change Order Request