



RIVERSIDE PUBLIC UTILITIES

Board Memorandum

BOARD OF PUBLIC UTILITIES

DATE: DECEMBER 12, 2022

SUBJECT: INCREASE IN THE ANNUAL EXPENDITURE LIMIT BY \$80,000 TO A TOTAL OF \$165,000 WITH NALCO COMPANY, LLC OF NAPERVILLE, ILLINOIS FOR CHEMICALS USED AT THE RIVERSIDE ENERGY RESOURCE CENTER AND CLEARWATER POWER PLANTS

ISSUE:

Consider approving an increase in the annual expenditure limit by \$80,000 to a total of \$165,000 with Nalco Company, LLC of Naperville, Illinois, for chemicals used at the Riverside Energy Resource Center and Clearwater Power Plants.

RECOMMENDATION:

That the Board of Public Utilities approve an increase in the annual expenditure limit by \$80,000, for a revised total of \$165,000, with Nalco Company, LLC of Naperville, Illinois, for chemicals used at the Riverside Energy Resource Center and Clearwater Power Plants.

BACKGROUND:

The City of Riverside owns and operates the Riverside Energy Resource Center (RERC) and Clearwater (Clearwater) Power Plants. This past summer, these facilities experienced a significant increase in operations and performed a critical role during an unprecedented heatwave. Customarily, the two power generation locations reach the highest operating levels during the summer peak and this year's operations were up to three times higher compared to previous years.

During the normal process of generating electricity, both RERC and Clearwater utilize specialized chemicals to prevent bacterial growth and corrosion damage to the expensive power plant components. The amount of the chemicals used varies with each plant's operating requirements, but it is important to note that the amount varies commensurate with the operating times of the plants. With the increase in operations this past summer, chemical usage also increased. As a result of the operations this summer, both facilities have already exceeded the amount of the specialized chemicals that had been forecast for the entire year.

The chemicals are essential to plant operations and having a reliable supply of chemicals each year is vital to maintain RPU's ability to provide reliable electricity to its customers. Therefore, it is essential to ensure they are available for the remainder of the year.

DISCUSSION:

A specialized blend of chemicals from Nalco Company, LLC (Nalco) has been in use since the original commissioning at both RERC and Clearwater. Staff consistently utilizes Nalco chemicals at the power plants to ensure compatibility.

In 2020, staff negotiated favorable pricing with Nalco for five years. During the first year, pricing remained fixed and pricing increases for years two to five were minimized. Other than hardships due to extraordinary disruptions, pricing increases will not exceed 4% each year.

On June 27, 2022, the Board of Public Utilities approved a list of annual purchase orders greater than \$50,000. An annual purchase order in the amount of \$85,000 for the specialized chemicals from Nalco was included on the list.

From July to September 2022, actual chemical expenditures reached \$70,000. Staff evaluated the chemical usage against the hours the power plants were operated and determined that the increased use of the chemicals was consistent with the increased operating hours for the summer timeframe. Unfortunately, this meant that due to the increased operations as a result of the heatwaves and generally high summer temperatures, staff has determined that it will not have sufficient funding under the approved purchase order to ensure that both facilities will have an adequate supply of the chemicals they need to continue to operate. Thus, staff recommends increasing the expenditure limit from \$85,000 to \$165,000 for the remainder of Fiscal Year 2022-23.

Because there is an increasing likelihood of similar heatwaves in future years combined with the increasing need to operate the power plants in the early morning and evening hours each summer either before solar generation begins for the day or ends in the evening, staff anticipates that there will be an ongoing higher than historical need for the chemicals provided by Nalco. Increasing the approved limit for plant chemicals from Nalco will be necessary to ensure reliable power plant operations. Going forward, staff will review historical usage along with the anticipated summer forecasts for increasing operations of the facilities currently being experienced and will continue to seek approval through the annual purchase order approval process each year. Regardless, the approved limit is an estimation and staff will only encumber actual expenditures for the specialized chemicals from Nalco if there is a need. Any funds not expended in the year remain in the generation budget for future use to support generation facilities.

The Purchasing Manager concurs that the recommended actions are in compliance with Purchasing Resolution No. 23914. Section 404, Utilities Exception, states “The Water, Electric and Sewer Utilities have a need for compatibility within their respective systems for uniform operation, maintenance and replacement, and this need can be met by procuring certain supplies, equipment, and materials supplies through Informal Procurement or Negotiated Procurement.” Chemicals are listed as an exception in this section of the Purchasing Resolution as there is a need to maintain compatibility of chemicals at Riverside’s power plants.

STRATEGIC PLAN ALIGNMENT:

This item contributes **Strategic Priority 5 - High Performing Government** and **Goal 5.4 - Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact**, and **Strategic Priority 6 - Infrastructure, Mobility & Connectivity** and **Goal 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.

The item aligns with each of the five cross-cutting threads as follows:

1. **Community Trust** – Ensuring that Riverside's power plants operate reliably during critical periods and provide electricity to RPU's electric customers which serves the greater public good.
2. **Equity** – This item ensures that RPU's power plants can safely and effectively operate and provide reliable electricity benefitting the entire City and all customers.
3. **Fiscal Responsibility** – Nalco chemicals are essential to plant operation and staff negotiated favorable prices with Nalco for the next five years.
4. **Innovation** – The use of Nalco chemicals is the best available treatment methods for bacteria and corrosion control in gas turbine power plant equipment.
5. **Sustainability & Resiliency** – Riverside's two power plants operate during the most critical times when the demand for electricity is high as well as when electricity demand cannot be provided fully by renewable power generation, such as from solar, at the start and end of each day. Maintaining a chemical treatment program throughout the five years supports the goal of sustaining highly reliable power plant operations and will support the ongoing transition of the electric grid from reliance on fossil fuel generation sources to renewable resources.

FISCAL IMPACT:

The total fiscal impact for Fiscal Year 2022-23 is \$80,000. Sufficient funds are available in the RERC Maintenance-Generating Plants Account No. 6120130-424131 and Clearwater Maintenance-Generating Plants Account No. 6120140-424131.

Current Board Approved Limit	Fiscal Year 2022-23 ~ \$85,000
Increased Amount	Fiscal Year 2022-23 ~ \$80,000
New Approved Limit	\$165,000

Funding in the amount of \$165,000 will be included in future years as part of the biennial budget process.

Prepared by: Daniel E. Garcia, Utilities Deputy General Manager/Power Resources
Approved by: Todd M. Corbin, Utilities General Manager
Approved by: Kris Martinez, Assistant City Manager
Approved as to form: Phaedra A. Norton, City Attorney

Certifies availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/City Treasurer

Attachment: Presentation