



CITY OF THE DALLES
Department of Public Works
1215 W 1st Street
The Dalles, Oregon 97058

Memorandum

February 1, 2017

TO: Honorable Mayor and City Council

FROM: Dave Anderson, Public Works Director

RE: RFP for Wastewater Treatment Plant Operation

The current contract with CH2M to operate the City's wastewater treatment plant expires June 30, 2018; they have contractually operated the plant for the City since 1993. City Council has directed staff to initiate a Request for Proposals (RFP) to qualified firms for a new operations contract that would become effective July 1, 2018. To do so, it was planned that an RFP would be issued in the 2016/17 fiscal year, the evaluation/selection/negotiation processes would be completed in 2017/18, and the selected firm would begin operations on July 1, 2018.

Staff has been working on this task and was on track to meeting the desired schedule. However, in the development of the RFP documents, issues have been identified that raise questions about the timing of the RFP. With this report, I want to share those issues with the Council and obtain direction accordingly.

The issuance of an RFP requires that the City provide certain historical information related to the operation of the plant so that firms can make their proposals based upon known facts. The kind of information that needs to be provided to potential proposers includes:

- Operating budgets for a couple years
- Utility bills
- Flow data
- Wastewater quality data (influent and treated)
- Chemical consumption data
- Electrical consumption data

When accurate data isn't available upon which to develop a proposal, there is uncertainty, and uncertainty is addressed by inflating the cost of the proposals. Proposers need to cover their potential (unknown) exposure and ensure that they don't incur unanticipated expenses, which means higher costs to the City.

The first issue of timing relates to the wastewater treatment plant improvements currently underway. Construction for the Wastewater Treatment Plant Upgrade project is scheduled to begin in late February or early March and will last through the end of 2017, possibly into early 2018. This project will introduce a lot of new equipment to the plant including new influent pumps which are much larger than the old ones, all new headworks equipment to screen debris and grit from the wastewater, new primary filtration systems that don't currently exist at the facility, a new larger digester with associated heating and mixing systems, and Co-Gen systems to generate electricity from the methane gas produced. These new treatment systems will also affect the

treatment processes and have impacts to the amounts and chemical/physical make-up of process streams and bio-solids produced. Start-up, shake-down and optimization of these processes - finding out what works best in which circumstances - will take a year or two after construction to complete. In short, we will have no operational history or real-world cost-to-operate data for these new systems, which represent very significant parts of the treatment plant, if we issue an RFP at this time.

The second issue of timing relates to a large industrial development currently under construction on the Port. It is anticipated that this new industrial development will be a significant discharger to the City's sanitary sewer system, increasing the amount of flow, and possibly changing the chemistry of the wastewater to be treated by the plant. It would be desirable to have historical data on wastewater volumes and quality reaching the treatment plant after this facility is operational for a period of time – ideally at least 1-2 years as it ramps up operations.

Lastly, there is the concept related to management of change that should be considered. One of the most basic tenets, in which I strongly believe, related to treatment plant operations is to only change one variable at a time to maintain control over systems. For example, when optimizing a treatment process, only one chemical should be increased or decreased at a time and then the results can be measured and attributed to that one change. I believe that this same principal applies in concept to the operation of the City's wastewater treatment plant. In my opinion, the greatest likelihood of success is supported by making the physical improvements to the plant (completing the treatment plant upgrade project) while utilizing the experience and expertise of the existing operator to bring those new systems on line and optimize them over time in concert with continued use of the other older systems, with which they are familiar, still in place.

As an alternative to issuing an RFP at this time, the City could negotiate a contract extension with CH2M like has been done on three prior occasions. If the Council has any specific concerns related to the current contract, or to CH2M's operation of the City's facilities over the last 23 years, those issues could be identified and addressed in the negotiations. In consideration of this issue, it may be worth noting the following;

- Within the current 10-year contract, the annual contract price to CH2M has increased a total of 9.4% over the last 9 years; the CPI has increased 11.8% in that same period.
- For the last reported year (2015), CH2M was listed by Public Works Financing as having the highest contract renewal rate among all contract operators at 99%.
- In the City's contract with CH2M, we benefit from the fact that the operations staff from The Dalles also operates the Biggs and Mosier plants, thereby sharing the cost of some employees and the plant manager between more entities.

Due to the uncertainties associated with the unknown operational costs of the new systems to be installed at the treatment plant, the unknown wastewater volumes and quality to be received from a major new industrial development, and the challenges of changing both treatment systems and plant operator at the same time, it is my recommendation that the issuance of an RFP be delayed to allow more certainty to the process, and therefore maximize any potential cost savings (or at least minimize cost increases). In lieu of issuing an RFP for an operations contract that would become effective July 1, 2018, I recommend that the City postpone issuance of the RFP for 3-5 years and negotiate a contract extension with the current plant operator, CH2M, for a like period of time.