

- **Board of Directors**
Engineering and Capital Programs Committee

December 9, 2008 Board Meeting

7-3

Subject

Appropriate \$570,000; and authorize (1) ozone generation equipment storage agreement with Total Transportation Logistics; and (2) construction of LOX tank storage area for the Weymouth Oxidation Retrofit Program (Approp. 15392)

Description

This action authorizes an agreement for storage of Weymouth Oxidation Retrofit Program (ORP) ozone generation equipment at a bonded warehouse in Southern California. The equipment has been fabricated and is currently being stored by its manufacturer under Metropolitan's equipment procurement contract. However, the storage terms of that contract will expire in February 2009, and a new storage arrangement is recommended for the equipment. This action also authorizes construction of a temporary storage area for the recently fabricated ORP liquid oxygen (LOX) storage tanks at the Weymouth plant. It is more cost-effective to store the LOX equipment on-site than to rely on off-site storage. The Weymouth ORP is categorized as a Water Quality project and is budgeted within Metropolitan's Capital Investment Plan (CIP).

Weymouth ORP Equipment Storage (\$570,000)

In December 2005, Metropolitan's Board authorized the procurement of ozone generation equipment for the Weymouth ORP. The equipment procurement contract was awarded to Ozonia North America, and includes ozone generation equipment and LOX storage and feed equipment. The Weymouth ORP is on track for construction to be completed in late 2014, as reflected in the fiscal year 2008/09 CIP.

The ozone generation equipment consists of ozone generators, power supply units, ozone off-gas destruct equipment, and a complete ozone control system. The equipment has been fabricated and is currently being stored by its manufacturer, Ozonia North America, in a bonded and climate-controlled facility owned by Total Transportation Logistics in Southern California. Ozonia's contractual obligation to store this equipment for Metropolitan will end in February 2009. In order to protect the equipment and minimize the risk of damage until a construction contract is awarded and the Weymouth site is prepared for equipment installation, staff recommends that Metropolitan execute a storage agreement directly with Total Transportation Logistics to store the ozone generation equipment in its present location. The recommended agreement will provide the most cost-effective means to store the equipment until it is ready for installation. The agreement with Total Transportation Logistics will have a not-to-exceed total of \$335,000 with a duration of approximately 60 months of storage. Metropolitan's warranty for the equipment with Ozonia North America will be preserved under this arrangement.

The LOX storage and feed equipment is currently being stored by its manufacturer, Chart Industries, at its fabrication facilities in Minnesota. The three storage vessels are each 12 feet in diameter and 81 feet long, and have additional ancillary equipment. The manufacturer has notified Metropolitan that we must take possession of the equipment due to Chart Industries' storage space constraints. Unlike the ozone equipment described above, these large vessels do not require storage in a climate-controlled facility, and staff recommends storing them at the Weymouth plant site. This approach represents the most cost-effective means for storage of the equipment. The estimated cost for unloading of the equipment and preparation of the site for equipment storage is \$132,000. This expenditure for site preparation will be offset by a reduction in the future Weymouth ORP construction cost. The work will be performed by Metropolitan forces.

Upon award of a Weymouth ORP construction contract, the ozone generation and LOX equipment will be furnished to the ORP contractor for installation under that contract.

This action appropriates \$570,000, and authorizes a storage agreement with Total Transportation Logistics for ozone generation equipment storage and Metropolitan staff to provide storage for the LOX equipment at the Weymouth plant. The requested funds include \$335,000 for the agreement with Total Transportation Logistics; \$132,000 for design and construction of the LOX storage area and for unloading of the equipment; \$32,000 for project management; and \$71,000 for remaining budget. This project has been evaluated and recommended by Metropolitan's CIP Evaluation Team, and funds have been included in the fiscal year 2008/09 capital budget. See [Attachment 1](#) for the Financial Statement and [Attachment 2](#) for the Location Map.

This project is consistent with Metropolitan's goals for sustainability by enhancing the reliability of the existing treatment, conveyance and distribution system, in order to maintain reliable water deliveries in the future.

Policy

Metropolitan Water District Administrative Code Section 5108: Appropriations

Metropolitan Water District Administrative Code Section 8121: General Authority of the General Manager to Enter Contracts

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed action of entering into a contract for the storage of equipment is not defined as a project under CEQA because it involves continuing administrative activities (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed action is not subject to CEQA because it involves other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination is: Determine that the proposed action is not subject to the provisions of CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

The proposed action of constructing pads for the storage of equipment at Weymouth is categorically exempt under the provisions of CEQA and the State CEQA Guidelines. The proposed action involves the funding, design, installation of small new equipment and facilities in small structures, and the conversion of existing small structures from one use to another where only minor modifications are made in the exterior of the structure. Accordingly, the proposed action qualifies under a Class 3 Categorical Exemption (Section 15303 of the State CEQA Guidelines).

The CEQA determination is: Determine that pursuant to CEQA, the proposed action qualifies under a Categorical Exemption (Class 3, Section 15303 of the State CEQA Guidelines).

CEQA determination for Option #2:

None required

Board Options

Option #1

Adopt the CEQA determinations and

- a. Appropriate \$570,000 for storage of ozone generation and LOX equipment for the Weymouth ORP; and
- b. Authorize agreement with Total Transportation Logistics in an amount not to exceed \$335,000.

Fiscal Impact: \$570,000 of budgeted funds under Approp. 15392

Business Analysis: This option is consistent with the current scheduled completion date of late 2014 for construction of the Weymouth ORP. Staff will return to the Board to authorize completion of the Weymouth ORP final design at a later date.

Option #2

Do not proceed with a storage agreement for Weymouth ozone equipment.

Fiscal Impact: Unknown

Business Analysis: Without climate-controlled storage, the condition of the ozone equipment would deteriorate and the manufacturer may not honor its warranty. Relocating the equipment to a different storage facility would increase the risk of damage and loss during transport.

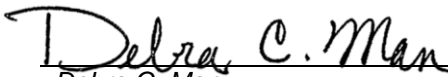
Staff Recommendation

Option #1



Roy L. Wolfe
Manager, Corporate Resources

11/17/2008
Date



Debra C. Man
for Jeffrey Kightlinger
General Manager

11/20/2008
Date

Attachment 1 – Financial Statement

Attachment 2 – Location Map

BLA #6215