

WEST BASIN MUNICIPAL WATER DISTRICT

MARCH 13, 2008 – Water Resources
Smith (Chair), Little

MARCH 24, 2008 – Board Meeting

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Approved by: Richard Nagel

ACTION CALENDAR

SULFURIC ACID PRICE INCREASESUMMARY:

Bulk sulfuric acid is supplied as a treatment chemical at the Edward C. Little Water Recycling Facility and two of the three satellite facilities – Exxon Mobil and the Juanita Millendar-McDonald Regional Water Recycling Plant. Volumes at the three facilities range from 140 to 600 tons per month. The current vendor under contract is Basic Chemical Solutions, a major supplier in the Los Angeles area. Basic Chemical notified us recently that market-driven sulfuric acid prices have escalated dramatically since the beginning of the fiscal year for several reasons:

- The supply of sulfuric acid in Southern California has become very difficult and tight due to the inability of one of the two local suppliers to manufacture the product due to their own internal need for the acid and the deterioration of their plant;
- The worldwide demand for sulfuric acid has risen significantly with increased mining activity due to rising metals prices, and sulfuric acid is a key product used in this application, therefore much less sulfuric acid is being imported to the USA to meet this world-wide demand; and
- The increased demand for sulfur-based fertilizers and sulfur as the main ingredient for sulfuric acid, combined with no new notable increases in sulfuric acid production.

Basic Chemical buys sulfuric acid from Rhodia, the current sole local manufacturer. Rodia announced several price increases throughout 2007: \$10/ton in April 2007, \$10/ton in June 2007, \$10/ton in August 2007, and \$45/ton in October 2007. The most recent increases were for \$53/ton in December 2007 and \$30/ton in January 2008. The combined increases since February 2007 total \$158/ton.

Basic Chemical is requesting relief from the current contract prices, suggesting an increase of \$75/ton. Current contract prices are \$75.50/ton and \$80/ton, depending on the facility. The increase will bring the contract prices to \$150.50 and \$155. Sulfuric acid supply and costs were verified with several other local suppliers, some of whom are supplied by Basic Chemical:

- Brenntag Pacific in Santa Fe Springs quoted \$320/ton, and could not guarantee delivery within 48 hours due to shortages in local supplies.
- Hill Brothers in Brea quoted \$300/ton.
- Thatcher Chemical quoted \$225/ton shipped from Henderson, Nevada.

Staff presents the following two options for the Board to consider:

1. Amend Basic Chemical's agreement to increase sulfuric acid pricing by \$75/ton; or
2. Issue a "Request for Bid" for a new sulfuric acid supply and delivery contract immediately.

Staff does not believe continuing with the current agreement is a viable option. Basic Chemical has the right to give 30 days cancellation notice, which would force West Basin to issue a "Request for Bid".

Considering the worldwide supply situation of sulfuric acid, quotes from other suppliers, and Basic Chemical's supply reliability and willingness to maintain low pricing in the spirit of the current contract, staff recommends that the General Manager amend Basic Chemical's agreement to increase sulfuric acid pricing by \$75/ton effective March 1, 2008 through the contract expiration date of June 30, 2008. Staff is planning to offset much of the increase by slowly raising the pH of the reverse osmosis feedwater, thereby, decreasing the use of sulfuric acid. Recent pilot testing indicates the pH can be raised from 6.3 to about 6.7. Staff is continuing testing to see if it can be raised further.

FISCAL IMPACTS:

The increase in price has been incorporated in the Fiscal Year 2007-08 Budget, but will be offset by the reduction in acid use.

ENVIRONMENTAL COMPLIANCE:

Not applicable.

COMMITTEE STATUS:

This item was reviewed by the Water Resources Committee on March 13, 2008 and recommended for approval at the March 24, 2008 Board meeting.

RECOMMENDED MOTION:

That the Board authorizes the General Manager to amend the sulfuric acid supply and delivery agreement with Basic Chemical Solutions to increase the sulfuric acid unit cost by \$75/ton effective March 1, 2008. The revised amount not-to-exceed will be increased by \$70,000 to a total of \$480,738.

EXHIBITS:

None.