

COMMUNICATION FROM CHAIR, ENERGY AND ENVIRONMENT COMMITTEE relative to proposed first two-year extension of the Second Amendment to Contract No. C-109787 with GeoEnvironment Technologies, LLC (aka Terralog Technologies USA, Inc.) for the implementation of the Terminal Island Renewable Energy (TIRE) Project.

Recommendation for Council action:

AUTHORIZE the Board of Public Works (Board), on behalf of the Bureau of Sanitation (BOS), to execute the first two-year extension, effective January 31, 2014, included in the Second Amendment to Contract No. C-109787 with GeoEnvironment Technologies, LLC (aka Terralog Technologies USA, Inc.) for the implementation of the TIRE Project.

Fiscal Impact Statement: The City Administrative Officer (CAO) reports that there is no General Fund impact as Contract No. C-109787 and its amendments will be fully funded from the Sewer Construction Maintenance Fund. No additional funding or increases to the contract ceiling is required to execute the first two-year extension to the Second Amendment. The 2013-14 Budget provides \$4,544,374 towards the first year costs of the two-year extension and funding for the second year of the extension will be provided in the 2014-15 Budget and submit to the Mayor and Council approval. The recommendation in the January 9, 2014 CAO report complies with the City's Financial Policies as special fund revenues are budgeted for the two-year extension. The contract includes a Financial Liability Clause limiting the City's liability to the extent of appropriations for this purpose.

Community Impact Statement: None submitted.

**TIME LIMIT FILE - MARCH 28, 2014**

**(LAST DAY FOR COUNCIL ACTION - MARCH 28, 2014)**

Summary:

On February 5, 2015, the Chair and one member of the Energy and Environment Committee considered a January 9, 2014 CAO report relative to proposed first two-year extension of the Second Amendment to Contract No. C-109787 with GeoEnvironment Technologies, LLC (aka Terralog Technologies USA, Inc.) for the implementation of the TIRE Project. According to the CAO, the Board, on behalf of the BOS, is requesting authority to execute the first two-year renewal option as prescribed in Article 6 of the Second Amendment to Contract No. 109787 with GeoEnvironment Technologies, LLC (GeoEnvironment). The TIRE project involves the injection of Class A biosolids, also known as bio-slurry fracture injection, into abandoned or depleted oil reservoirs or other geological formations at a depth of over 5,000 feet, as another alternative for managing the City's biosolids. Through thermal treatment and biodegradation, the materials convert to methane gas and are recovered in adjacent wells as a renewable energy source. The project scope includes drilling and installation of injection and monitoring wells, injection facility operations and maintenance, engineering support, and related management support such as data analysis, reporting and documentation, and licensing to the City for the ongoing use of the vendor's technology.

On May 15, 2006, the City executed Contract No.C-109787 with GeoEnvironment to develop the infrastructure for deep well injection for a term of three years at a cost not to exceed \$3,036,000. The contract was made pursuant to a Request for Proposals for Economic Approaches to Biosolids

issued in 1999. The City obtained a five year permit from the Environmental Protection Agency (EPA) on November 6, 2006 to perform deep well bio-slurry injection on a demonstration basis and was able to obtain another permit on December 23, 2013 for an additional five year period. The contract was amended on September 28, 2007 to increase the cost ceiling by \$4,876,000 for a total of \$7,912,000 to cover the higher cost of drilling and monitoring and revise the scope of work to include project start up and testing.

The contract expired on May 14, 2009 and the Board approved interim contract extensions to continue the project within budgeted funds until the Second Amendment was approved by Council (Council File No. 10-0070) and executed on March 1, 2010. The Second Amendment allowed for the continued operation and testing to determine the project's viability over the permit period and granted the City Rights to the vendor's present and future technology utilized toward the TIRE project. The Second Amendment increased the cost ceiling by \$19,020,952, from \$7,912,000 to \$26,932,952, and extended the contract by 47 months with two two-year renewal options which require Board and Council approval to execute. The 47-month term expires on January 31, 2014 and Council approval is required to execute the first two-year extension to continue the operation and testing of the project.

Currently, the BOS is injecting approximately 150 tons per day of bio-slurry material, which includes four truckloads of biosolids from the Hyperion Treatment Plant, into one well. The project is producing and capturing methane gas, but not in sufficient quantities for extraction. The BOS is planning to expand the project to two wells to increase the volume of bio-slurry injected in order to produce sufficient methane gas for extraction and conversion to renewable energy. At the end of the first two-year extension, the BOS will evaluate the project and determine the City's feasibility of taking over the project from GeoEnvironment.

The BOS reports that \$20,788,254 has been expended to date and no additional funding is requested for the two-year extension as the current contract ceiling of \$26,932,952 is sufficient. For 2013-14, \$4,554,374 is available in the Sewer Construction and Maintenance Fund for this purpose. Funding for the second year of the extension will be provided in the 2014-15 Budget and subject to Mayor and Council approval.

After consideration and having provided an opportunity for public comment, the Committee Chair moved to recommend approval of the first two-year extension of the Second Amendment to Contract No. C-109787 with GeoEnvironment. This matter is now submitted to Council for its consideration.

Respectfully Submitted,

COUNCILMEMBER FEILPE FUENTES, CHAIR  
ENERGY AND ENVIRONMENT COMMITTEE

<b><u>MEMBER</u></b>	<b><u>VOTE</u></b>
FUENTES:	YES
BLUMENFIELD:	YES
LABONGE:	ABSENT
HUIZAR:	ABSENT
KORETZ:	ABSENT

**-NOT OFFICIAL UNTIL COUNCIL ACTS-**