



Gregory L. Geist
Director

Board of County Commissioners
Clackamas County

Members of the Board:

Approval of Settlement Agreement with Atlas Copco Compressors, LLC
and Clackamas County Service District No. 1
for Blower Replacement

Purpose/Outcomes	Approval of a Settlement Agreement with Atlas Copco Compressors, LLC, which provides Clackamas County Service District No. 1 with replacement blowers at no cost.
Dollar Amount and Fiscal Impact	No District funds expended under this agreement. This agreement will allow the District to reduce the cost of construction by eliminating the need for the construction contractor to purchase blowers and variable frequency drives. It's estimated the reduction will save the District up to \$1 million dollars on the blower replacement project.
Funding Source	Clackamas County Service District No. 1 Operating Funds. No General Funds impacted.
Duration	Ongoing obligations until terminated.
Previous Board Action/Review	None.
Strategic Plan Alignment	<ol style="list-style-type: none"> 1. This agreement supports the WES Strategic Plan to provide partner communities with reliable wastewater infrastructure to serve existing customers and support future growth. 2. This agreement supports the County's Strategic Plan of building a strong infrastructure that delivers services to customers.
Contact Person	Randy Rosane, PE, Project Manager WES, 503-742-4573
Contract No.	N/A

BACKGROUND:

In 2010, Clackamas County Service District No. 1 ("District") purchased and installed eight (8) high-efficiency turbo blowers from Houston Services Industries, Inc. ("HSI") for use at the Tri-City Water Pollution Control Plant as part of the Phase I Expansion to serve the Tri-City Service District's existing conventional activated sludge ("CAS") treatment system and the new membrane bioreactor ("MBR") treatment system constructed by Clackamas County Service District No. 1. These critical pieces of equipment move large volumes of air into the treatment process and are essential for plant operations.

These blowers were chosen because of their high efficiency ratings, and while a relatively new technology to the wastewater industry, they were utilized successfully in other industries prior to that and expected to yield significant energy savings. However, the blowers experienced

problems almost immediately upon installation, leading to the District requesting and receiving a warranty extension from April 2011 to April 2016. The blowers have continued to be unreliable since they were installed.

In December 2014, Atlas Copco Compressors, LLC (“Atlas”) purchased HSI, assuming all of its obligations. Staff attempted to work with Atlas to resolve these ongoing issues as they got up to speed on HSI products. While Atlas was more responsive, the blowers continued to fail and require frequent repair. Since these blowers have been installed, twenty-eight (28) air ends have been replaced. The average time period for the repairs took several months, and with multiple blowers out at the same time, the plant was left vulnerable to potential violations of its National Pollutant Discharge Elimination System (“NDPES”) permit.

On February 4, 2016, prior to the warranty expiration date, the Board of County Commissioners authorized the District to enter into an agreement with Stettler Supply Company to replace the blowers with proven reliable technology used throughout the industry. As the project progressed, Atlas met with the District and informed staff that Atlas was willing to take responsibility for HSI’s equipment failures and replace all of the blowers with reliable proven technology at no cost to the District, in return for a settlement and release of claims related to the original purchase of the blowers.

District staff worked with County Counsel to negotiate the terms of the proposed settlement agreement, which includes a savings of approximately \$1 million for the District, in addition to a new warranty for the blowers, a temporary blower and costs towards installation, and the option to purchase a comprehensive ten (10) year service plan at a significantly discounted rate.

This agreement has been reviewed and approved by County Counsel.

RECOMMENDATION:

District staff recommends the Board of County Commissioners of Clackamas County, acting as the governing body of Clackamas County Service District No. 1, approve the Settlement Agreement between Atlas Copco Compressors, LLC and Clackamas County Service District No. 1 for Blower Replacement.

Respectfully submitted,

Greg Geist, Director
Water Environment Services