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TO: Chairperson Greg Dannecker and Members of the Utilities Committee

FROM: Utilities Director Chris Shaw

DATE: June 19, 2015

RE: *Koch Membrane Systems Warranty Agreement Expired June 15, 2015*

BACKGROUND:

The Koch Membrane Systems (KMS) Warranty Agreement expired June 15, 2015. The City of Appleton had been in a warranty agreement with Koch Membrane Systems since 2007. The KMS Warranty Agreement had provided a maintenance and replacement agreement (i.e., the warranty) for ultrafiltration membranes. The warranty agreement costs were conditioned on an escalating scale of payments over time and adjusted for inflation using the Consumer Price Index (CPI). The cost for the agreement in 2014 was \$357,000.

MEMBRANE REPLACEMENT PLAN – POST WARRANTY:

As of June 15, 2015, the Membrane Warranty Agreement moved into the “post-termination” phase. During this phase, as in the previous phase, first and third quarter warranty claims may still be made, and the City must continue to maintain records and operational conditions contained in the expired KMS Agreement in order for warranty claims to be honored. As time passes, the warranty on any particular cartridge will expire or be decremented according to the following:

Post –Termination Warranty Period (months) = 60 – X months, *where X = the number of months elapsed between membrane cartridge installation and the Termination Date (June 15, 2015)*

Cartridges claimed will be replaced on a discounted purchase, pro-rata basis using the elapsed time (X) above against the published price for cartridge purchase or an inflation adjusted figure of \$3,000 whichever is less. The replacement warranty for cartridges that were placed into service 5 or more years ago will expire on June 15 irrespective of their

repair history or current flux performance. There are 40 cartridges currently in service that fall into this category.

CURRENT MEMBRANE INVENTORY

The membrane process has a total of 590 cartridges housed on 12 stages. There are currently 7 cartridges with more than 50 repairs that were placed in service in 2011 and 2012 that would qualify for a discounted replacement purchase. There will likely be more qualifying for discounted purchase in Q3 (July-September).

The current standing of new cartridges includes (227) 8-inch and (40) 10-inch TARGA II cartridges in original glycerin preservative and packaging.

If you have any questions regarding this matter please contact Chris Shaw at 920-832-5945.