

Non-Competitive Contract with Evoqua Water Technologies Ltd. for the Purchase of Proprietary Essential Parts for Maintenance of Process Equipment at Water Treatment Plants

Date: October 8, 2021

To: Infrastructure and Environment Committee

From: General Manager, Toronto Water and the Chief Procurement Officer,
Purchasing and Materials Management

Wards: All

SUMMARY

The purpose of this report is to request authority for the General Manager to negotiate and enter into a non-competitive contract with Evoqua Water Technologies Ltd. This contract will be for the supply of proprietary parts and supplies required for the maintenance of water treatment process equipment. The initial term of this contract will be from the date the contract is issued to December 31, 2022, with the option to renew for four (4) additional one (1) year periods at the sole discretion of the City and subject to budget approvals for the total amount of \$1,252,154.67, net of Harmonized Sales Tax (HST) (\$1,274,192.59 net of HST recoveries).

City Council approval is required in accordance with Toronto Municipal Code Chapter 195, Purchasing, where the current request exceeds the Chief Procurement Officer's authority of the cumulative five-year commitment for each vendor under Article 7, Section 195-7.3(D) of the Purchasing By-law or exceeds the threshold of \$500,000 net of HST allowed under staff authority as per Toronto Municipal Code Chapter 71, Financial Control, Section 71-11A.

RECOMMENDATIONS

The General Manager, Toronto Water and the Chief Procurement Officer recommends that:

1. City Council authorize the General Manager, Toronto Water to negotiate and enter into a non-competitive agreement with Evoqua Water Technologies Ltd. for the supply

of proprietary parts required for the maintenance of Wallace and Tiernan chemical feed and analysis equipment, on the following terms and conditions:

- a) The initial term of the contract will be for one (1) year, with an option to renew for four (4) additional one (1) year periods at the sole discretion of the General Manager, Toronto Water and subject to budget approvals for the total amount of \$1,252,154.67 net of HST (\$1,274,192.59 net of HST recoveries).
- b) The contract will be conditional upon Evoqua Water Technologies Ltd., continues to be the manufacturer or exclusive supplier of the parts.
- c) Conditional upon terms and conditions that are satisfactory to the General Manager, Toronto Water and in a form satisfactory to the City Solicitor.

FINANCIAL IMPACT

The total estimated value of the non-competitive contract to the City, including the option years is \$1,252,154.67 net of HST (\$1,274,192.59 net of HST recoveries).

Funding in the amount of \$235,849.06 net of HST, (\$240,000.00 net of HST recoveries) for this contract is included in the 2022 Operating Budget Submission for Toronto Water. Should the City choose to exercise its option to renew for an additional four (4) separate one year periods, then appropriate additional funding, if needed, will be included in the 2023-2026 annual Operating Budget Submissions for Toronto Water.

Financial Impact summary details net of HST recoveries are provided on Table 1.

Table 1: Financial Impact Summary (Net of HST Recoveries)

Cost Centres	Cost Element	Year 2022	Year 2023 Option Yr.	Year 2024 Option Yr.	Year 2025 Option Yr.	Year 2026 Option Yr.	Total
TW7020, TW7030, TW7050	2120	\$240,000.00	\$247,200.00	\$254,616.00	\$262,254.48	\$270,122.11	\$1,274,192.59

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

At its meeting of July 12, 2016 City Council adopted the staff recommendation authorizing the General Manager, Toronto Water to negotiate and enter into a non-

competitive agreement with Evoqua Water Technologies Ltd. for the supply of proprietary parts required for the maintenance of Wallace and Tiernan chemical feed equipment. The contract was for a period from the date the contract was issued to December 31, 2016, with the option to renew for an additional five (5) separate one (1) year periods at the sole discretion of the City and subject to budget approval(s) for the amount of \$2,175,653.71 net of HST (\$2,213,945.21 net of HST recoveries). City Council's decision can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PW14.4>

COMMENTS

Toronto Water provides water supply services 24 hours a day, 7 days a week to 3 million residents of the City of Toronto, as well as water supply to the Region of York. Toronto Water uses gaseous chemical feed equipment for the water treatment process at four water treatment facilities. This equipment includes 53 Wallace and Tiernan Micro 2000 chlorine analyzers, 30 Wallace and Tiernan chlorine and sulphur dioxide gas feeders, and 28 Wallace and Tiernan chlorine and sulphur dioxide evaporators across four facilities. This equipment was purchased in a phased upgrade between fifteen (15) to seventeen (17) years ago as part of a significant process upgrade project through a consultant/general contractor. The upgrade project also included the supply of replacement parts for a one (1) year period after the installation was completed.

As part of the water and wastewater treatment process, liquid chlorine under pressure is evaporated and fed to the process stream under vacuum. A similar process is used to apply sulphur dioxide to the process stream at water treatment plants to control the residual level of chlorine in drinking water distributed to customers. Chlorine analyzers are used to accurately measure the chlorine residual in the process water stream. It is necessary that the associated chemical feed and analysis equipment is maintained in good working order to ensure proper function of the treatment processes and maintain compliance with Ministry of Environment Conservation and Parks regulations, plant operating permits, licenses and Environmental Emergency regulations as applicable. Failure to maintain the equipment could result in non-compliance with environmental regulations or a loss of service delivery to our consumers (residents of Toronto and York Region, as well as institutional, commercial and industrial customers). Loss of service delivery can also result in a loss of fire protection, putting at risk the lives and property of residents and businesses.

Chlorine and sulphur dioxide are dangerous substances and use of these products can represent a risk to the health and safety of our staff and the general public if not handled properly. Failure to maintain chemical feed equipment regularly using proper replacement parts and components will jeopardize staff and public safety. To ensure the safety of the gas feed equipment and to maintain operation of water and wastewater treatment processes in compliance with regulatory requirements, the analyzers, gas feeders and evaporators must be regularly maintained and Original Equipment Manufacturer (OEM) replacement parts must be readily available.

Parts for this equipment can only be supplied by Evoqua Water Technologies Ltd. (formerly Siemens Water Technologies Ltd, and originally Wallace and Tiernan). Evoqua is the sole supplier for new Wallace and Tiernan equipment, as well as replacement parts for all Wallace and Tiernan products currently installed in Toronto Water facilities. Wallace and Tiernan parts (supplied by Evoqua) are specifically designed for this equipment and any part from a source other than Evoqua may cause damage or will not allow the equipment to operate to its full design specifications. The use of OEM parts will ensure that the equipment remains in compliance with manufacturer standards and will allow the equipment to be safely operated and maintained.

The recommended vendor has provided pricing for required parts and equipment and made representations indicating that competitive prices, comparable to those offered to other large government organizations have been offered. Comparison with historic pricing indicates the City is receiving fair pricing from the vendor. Staff has reviewed the pricing for the goods and have determined that the pricing is fair and reasonable. In the event that other suitably qualified vendors (approved by the manufacturers/distributors) are identified, staff will follow all appropriate Purchasing By-Laws and procedures to ensure that a competitive process will be conducted for on-going requirements.

The Fair Wage Office has reported that Evoqua Water Technologies Ltd. has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully.

CONTACT

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SIGNATURE

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