

Amendments to Blanket Contract 47022825 with SNF Canada Ltd. and Blanket Contract 47022823 with Quadra Chemicals Ltd. for Polymer Related to Biosolids Dewatering and Waste Activated Sludge Thickening for the Ashbridges Bay Treatment Plant

Date: June 20, 2022

To: Infrastructure and Environment Committee

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

Wards: All

SUMMARY

The purpose of this report is to request authority to amend Blanket Contracts 47022825 and 47022823 awarded under Request for Quotation Number 9117-19-7130 to SNF Canada Ltd., and Quadra Chemicals Ltd., for the supply and delivery of Water Soluble Polyelectrolyte (polymer) for biosolids dewatering and waste activated sludge thickening for the Ashbridges Bay Treatment Plant. These amendments are requested in response to escalating unit costs resulting from increased raw material costs, global supply chain challenges and the resulting increase in the Statistics Canada indices used to calculate price adjustments for option years. The amendments also cover the costs associated with increased chemical volumes used over the past two years in processes that improve wastewater treatment outputs.

The amendments requested include an increase to the current contract target value and two (2) option year periods for Blanket Contract Number 47022825 issued to SNF Canada Ltd., in the amount of \$5,864,265 net of all taxes and charges (\$5,967,476 net of HST Recoveries), and two (2) option year periods of Blanket Contract Number 47022823 issued to Quadra Chemicals Ltd., in the amount of \$929,430 net of all taxes and charges (\$945,788 net of HST Recoveries).

RECOMMENDATIONS

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

1. The Infrastructure and Environment Committee, in accordance with Section 71-11A of the City of Toronto Municipal Code Chapter 71 Financial Control By-law, grant authority to amend existing Contract Number 47022825 issued to SNF Canada Ltd., for the supply and delivery of Water Soluble Polyelectrolyte (Polymer) for Biosolids Dewatering for the City of Toronto’s Ashbridges Bay Treatment Plant and increase the overall target value including option years by \$5,864,265 net of all taxes and charges (\$5,937,476 net of HST Recoveries).

2. The Infrastructure and Environment Committee, in accordance with Section 71-11A of the City of Toronto Municipal Code Chapter 71 Financial Control By-law, grant authority to amend existing Contract Number 47022823 issued to Quadra Chemicals Ltd., for the supply and delivery of Water Soluble Polyelectrolyte (Polymer) for Waste Activated Sludge Thickening for the City of Toronto’s Ashbridges Bay Treatment Plant and increase the overall target value for all option years by \$929,430 net of all taxes and charges (\$945,788 net of HST Recoveries).

FINANCIAL IMPACT

Amendment of Contract Number 47022825 for the current contract period including all option years by an additional \$5,864,265 net of all taxes and charges (\$5,967,476 net of HST Recoveries) will increase the contract value from \$11,342,000 net of HST to \$17,206,265 net of HST (\$17,509,095 net of HST Recoveries).

Amendment of Contract Number 47022823 for all option years by an additional \$929,430 net of all taxes and charges (\$945,788 net of HST Recoveries) will increase the contract value from \$4,041,000 net of HST to \$4,970,430 net of HST (\$5,057,910 net of HST Recoveries).

Funding for 2022 is included in the Toronto Water 2022 Approved Operating Budget. Funding for future years will be included in the 2023-2024 Operating Budget Submissions for Toronto Water. Additional details follow in Table 1.

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

Cost Centre	Increased Current Contract Period 2022	Option 1 2023 Increase	Option 2 2024 Increase	Total Increase
Biosolids Dewatering (SNF Canada Ltd.) Cost Centre TW4022, TW4036, TW4060 - GL 2430 and GL 2215	\$1,940,975	\$1,807,461	\$2,219,040	\$5,967,476

Cost Centre	Increased Current Contract Period 2022	Option 1 2023 Increase	Option 2 2024 Increase	Total Increase
Waste Activated Sludge Thickening (Quadra Chemicals Ltd.): Cost Centre TW4022, TW4036 GL 2430 and 2120		\$ 411,212	\$534,576	\$ 945,788
Total	\$1,940,975	\$2,218,673	\$2,753,615	\$6,913,264

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

DECISION HISTORY

Bid Committee, at its meeting on March 1, 2020, granted authority to award Request For Quotation Number 9117-19-7130 to SNF Canada Ltd. and Quadra Chemicals Ltd. for the supply of Polymer for Biosolids Dewatering and Waste Activated Sludge Thickening for the Ashbridges Bay Treatment Plant, in accordance with the Contract Details set out in the report dated February 26, 2020. A link to the related Bid Committee decision is provided.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.BA70.2>

COMMENTS

Toronto Water uses Water Soluble Polyelectrolyte (polymer) to improve the removal of solids from wastewater. Polymer is a critical additive used in most large wastewater facilities to maximize process efficiency and effectiveness.

Contracts for polymer used in biosolids dewatering and waste activated sludge thickening are awarded based on the lowest cost of polymer applied per dry tonne of solids treated and the mandatory requirements set forth by the Request for Quotation. The lowest cost is determined through a full-scale evaluation of each polymer's performance. The award calculation is based on the evaluation results and historical consumption data.

The 2019 award calculation for Request for Quotation Number 9117-19-7130 did not include any inflationary increases, given that the previous year's contract renewal indices were negative. Furthermore, usage of dewatering polymer has increased by 32%, and the thickening polymer usage has increased by 11% since 2019. Toronto Water has increased its usage of polymer as a means of capturing more solids from the wastewater treatment process, resulting in improved effluent and bypass quality and higher volumes of biosolids.

The renewal terms for option year one (1) and option year two (2) will be subject to an annual price increase based on the blended index equal to:

Industrial Product Price Index (IPPI, All Items) x 80% + Transportation, subcomponent of Consumer Price Index (CPI) by province x 20%, for the 12 month period from January of the previous year to January of the existing contract year.

The blended annual index as of April 2022 is 15%, and the amendment for the option year renewal terms includes an increase to cover the price adjustment.

These contracts are in the initial award period, and the option year renewal terms start on January 1, 2023. The only price adjustment provisions available are in the option year renewal terms. SNF Canada Inc. contacted Toronto Water in December 2021 and April 2022 to request a temporary adjustment in the unit price due to significantly increased raw material, supply chain issues, transportation costs, and scarcity of supply.

Toronto Water consulted other Ontario municipalities using the same polymer supplier and found that they also received similar requests for price increases. Toronto Water also compared the blended index values against indices that are reflective of components found in the chemicals used in wastewater treatment. The indices confirm significant increases in component costs.

Based on the continued market instability, it is anticipated that the current indices will continue to escalate. By proceeding with the option year renewal terms, Toronto Water can secure continued supply and plan for a future solicitation when the market is more stable.

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SIGNATURE

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