

Award of Ariba Document Number 3744719435 to Air Products Canada Ltd., for the Supply of Liquid Oxygen, the Lease of Liquid Oxygen Equipment and the Provision of Specialized Maintenance Services for Toronto Water

Date: January 5, 2023
To: General Government Committee
From: General Manager, Toronto Water and Acting Chief Procurement Officer
Wards: All

SUMMARY

The purpose of this report is to advise City Council of the results of Request for Quotation Ariba Document Number 3744719435, for the Supply of Liquid Oxygen, the Lease of Liquid Oxygen Equipment and the Provision of Specialized Maintenance Services at the F.J. Horgan Water Treatment Plant (the "RFQ"), and to request authority to award the contract to Air Products Canada Ltd., in the amount of \$2,524,558 net of all applicable taxes and charges (\$2,568,991 net of HST recoveries) for the initial term inclusive of optional items that the City may elect to exercise with an option in favour of the City to extend the contract for an option period of four (4) years, for a total potential contract award of \$4,369,524 net of all applicable taxes and charges (\$4,446,428 net of HST recoveries).

The proposed contract is for a minimum period of five (5) years, with an option in favour of the City to extend the contract on the same terms and conditions for one (1) additional four (4) year period. Since the proposed contract term, inclusive of any extension of the contract term as exercised by the City, exceeds five (5) years, City Council authority to award the contract is required in accordance with Section 195-8.5.B. of Municipal Code Chapter 195, Purchasing (the "City's Purchasing By-law").

RECOMMENDATIONS

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

1. City Council, in accordance with Section 195-8.5.B. of Toronto Municipal Code Chapter 195, Purchasing, award the contract for Request for Quotation, Ariba Document Number 3744719435 for the Supply of Liquid Oxygen, the Lease of Liquid Oxygen Equipment and the Provision of Specialized Maintenance Services at the F. J. Horgan Water Treatment Plant ("RFQ") to Air Products Canada Ltd., being the lowest bidder meeting RFQ specifications, for a minimum period of five (5) years, with an option in favour of the City to extend the contract for one (1) additional four (4) year period on the same terms and conditions, for a total potential total contract value of \$4,369,524 net of all applicable taxes and charges (\$4,446,428 net of HST Recoveries) and inclusive of estimated annual adjustments for consumer price index (CPI) and optional items that the City may elect to exercise.

FINANCIAL IMPACT

The total potential award identified in this report including the option years is \$4,369,524 net of all applicable taxes and charges, \$4,937,562 including all applicable taxes and charges. The total potential cost to the City including the option years is \$4,446,428 net of HST recoveries.

Funding for 2023 is included in the Toronto Water 2023 Tabled Operating Budget, and appropriate additional funding, for the balance of this contract award, will be included in the 2024-2028 Operating Budget Submission for Toronto Water. Should the City of Toronto choose to exercise its option to extend the contract on the same terms and conditions for one (1) additional four (4) year period, then appropriate additional funding, if needed, will be included in the 2028-2032 Operating Budget Submission for Toronto Water. Additional details follow in Table 1.

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

G/L Account & Cost Centre	Cost Centre: TW 7015 Cost Element: 2499 (Water Treatment & Supply: FJ Horgan TP - Process)	
Term of Contract	Year 1 (2023-2024)	\$ 481,952
	Year 2 (2024-2025)	\$ 497,098
	Year 3 (2025-2026)	\$ 513,003
	Year 4 (2026-2027)	\$ 529,702
	Year 5 (2027-2028)	\$ 547,236
Term of Contract Extension (if exercised by the City)	Year 6 (2028-2029)	\$ 439,383
	Year 7 (2029-2030)	\$ 458,715
	Year 8 (2030-2031)	\$ 479,013

G/L Account & Cost Centre	Cost Centre: TW 7015 Cost Element: 2499 (Water Treatment & Supply: FJ Horgan TP - Process)	
	Year 9 (2031-2032)	\$ 500,326
Total (Net of HST Recoveries)		\$ 4,446,428

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

DECISION HISTORY

This item has not previously been considered by Council.

COMMENTS

Horgan Plant Requires Use of Liquid Oxygen

As part of the F.J. Horgan Water Treatment Plant (“Horgan Plant”) treatment process, a drinking water ozone system is used to enhance the disinfection process and provide taste and odour control. For the ozone system to operate, it requires a regular and continuous supply of liquid oxygen and specialized liquid oxygen storage and vaporization equipment.

Liquid Oxygen RFQ Contract Term

Substantial effort is required when transitioning from one supplier's liquid oxygen equipment to another. This effort includes the removal of the existing tanks, vaporizers and associated piping and controls, and the installation of the new supplier's equivalent equipment. City staff are seeking authority for contract award where, if the extension option is exercised by the City, the contract will exceed the contract term limit of five (5) years, and therefore requires City Council authority to award in accordance with Section 195-8.5.B. of the City's Purchasing By-law. This extended contract term will minimize future equipment changeovers and associated operational disturbances and reduce the overall procurements efforts.

Procurement Process

The RFQ, Ariba Document Number 3744719435, was issued by Purchasing and Materials Management and was advertised on both the City's and Ariba Discovery websites on November 22, 2022, with a closing date of December 19, 2022 and an issuance of three (3) addenda. One (1) bid submission was received on December 19, 2022, which is summarized in Table 2 below:

Table 1: Summary of Bids Received including bid price

Bidder	Bid Price (excluding HST)*
Air Products Canada Ltd.	\$2,103,798.60

*Pursuant to the Request for Quotation, the bid price for price evaluation purposes includes the Liquid Oxygen System Monthly Services Rate (Pricing Form - Part A, line item 5.1.1.2), the Liquid Oxygen Supply Rate for Year 1 (Pricing Form - Part B, line item 5.1.2.1), Liquid Oxygen System Price optional item (Pricing Form - Part A, line item 5.1.1.1), Temporary Liquid Oxygen Equipment Weekly Rental Rate optional item (Pricing Form - Part C, line item 5.1.3.1) and for estimated liquid oxygen unit price estimated annual adjustments for Consumer Price Index for each subsequent year of the contract term after Year 1. Pursuant to the Request for Quotation document, the contract award value includes contingency.

Contract Award Value

Term of Contract (February 2023 – February 2028):

\$2,524,558 net of all applicable taxes and charges

\$2,852,751 including HST and all applicable charges

\$2,568,991 net of HST recoveries

The contract is expected to start in February 2023 and end in February 2028.

Extended Term of Contract if Option Exercised by City (February 2028 – February 2032):

\$1,844,966 net of all applicable taxes and charges

\$2,084,811 including HST and all applicable charges

\$1,877,437 net of HST recoveries

The total potential award including the extension option period is \$4,369,524 net of all applicable taxes and charges, \$4,937,562 including all applicable taxes and charges.

The total potential Cost to the City including all option years is \$4,446,428 net of HST recoveries.

The above cost calculations for the term of the contract and the extended term of the Contract, if the option is exercised by the City, include the following:

1. An estimated annual five (5) percent increase based on the Consumer Price Index for the liquid oxygen supply portion of the total contract award value, applied annually to the liquid oxygen unit price after the initial year. All other pricing provided will remain fixed for the duration of the Contract.
2. All separate price items, including all optional items.
3. Contingency in the amount of \$420,760 net of all applicable taxes and charges (\$428,165 net of HST recoveries) for unforeseen costs that may be required over the course of the contract.

Contract Award

The bid was reviewed and evaluated by staff from Purchasing and Materials Management Division and Toronto Water. Air Products Canada Ltd., is the lowest bidder, meeting the requirements as set out in the RFQ Ariba Document Number 3744719435.

The Fair Wage Office has reported that the recommended supplier has indicated it has reviewed and understands the Fair Wage Policy and Labour Trades requirements and has agreed to comply fully with both.

CONTACT

Liza Ballantyne, Manager, Process Innovation and Energy, Water Treatment & Supply, Toronto Water Division, Telephone: 416-392-2937, E-mail: Liza.Ballantyne@toronto.ca

Marie Reid, Manager, Infrastructure and Development Services, Purchasing Client Services, Purchasing and Materials Management Division, Telephone: 416-397-5187, Email: Marie.Reid@toronto.ca

SIGNATURE

Lou Di Gironimo,
General Manager, Toronto Water

Tanvir Ahmad,
for Sandra Lisi, Acting Chief Procurement Officer