

Non-Competitive Bridge Contract with Kemira Water Solutions Canada for Toronto Water

Date: November 26, 2024

To: Infrastructure and Environment Committee

From: General Manager, Toronto Water and Chief Procurement Officer

Wards: All

SUMMARY

Toronto Water is seeking authority to enter into a non-competitive contract with Kemira Water Solutions Canada Inc. for the supply and delivery of iron salts for a one year period commencing on January 1, 2025.

Iron salts (Ferrous Chloride) are a by-product of the steel manufacturing process and are used by municipal wastewater treatment plants across North America to remove phosphorus by precipitation.

City Council approval is required in accordance with Toronto Municipal Code Chapter 195, Procurement, where the current request exceeds the Chief Procurement Officer's authority of the cumulative five-year commitment for each supplier under Article 7, Non-competitive procurement or limited solicitations, Section 195-7.3(D) of the Procurement 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.

RECOMMENDATION

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

1. City Council authorize the General Manager, Toronto Water to negotiate an extension to the existing contract (47023307) with Kemira Water Solutions Canada Inc. for the supply and delivery of iron salts for Toronto Water Division. The extension shall include the negotiated adjustment to the unit rate and will cover the period from January 1, 2025, to December 31, 2025 and will be based on terms and conditions satisfactory to the General Manager, Toronto Water.

FINANCIAL IMPACT

It is anticipated that the potential contract value will be negotiated and fall within the funding that is included in the Toronto Water 2025 Operating Budget Submission under Cost Element Group TW040 and Cost Element 2420. Any potential additional financial impact will be reported to the appropriate Standing Committee.

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the information as presented in the Financial Impact Section.

DECISION HISTORY

At its meeting held December 23, 2020 Bid Award Panel awarded a contract for the supply and delivery of Iron Salts for the City of Toronto's Toronto Water Division, for a period of two (2) years from date of award with an option to renew the contract by two (2) additional separate one (1) year periods. [Agenda Item History - 2020.BA115.6](#)

COMMENTS

Iron salts (Ferrous Chloride) are essential for phosphorus removal at municipal wastewater treatment plants. Phosphorus, if not controlled, can significantly increase algae growth in water bodies. To meet regulatory requirements set by the Ministry of Environment, Conservation, and Parks, the City's wastewater treatment plants must maintain a monthly average phosphorus concentration less than 1.0 mg per liter in the final effluent.

The current blanket contract (47023307) with Kemira Water Solutions Canada Inc. (Kemira) for the supply and delivery of Ferrous Chloride was awarded on December 23, 2020, as a two-year contract with two one-year renewal options. Toronto Water exercised all available renewal options, the contract is set to expire on December 31, 2024.

To secure a new contact, a Request for Quotation (RFQ) (Ariba Doc4821083094) was issued on October 22, 2024, and closed on November 20, 2024. Kemira was the sole bidder, however their submission contained a significant pricing error, resulting in an inflated bid of \$1.89 billion. As a result, Toronto Water must cancel this RFQ as per Chapter-195-9.1.A Cancellation of Solicitations, where the cost of the responses exceeds the funding approval for the proposed contract.

To ensure a sufficient supply of Ferrous Chloride and maintain compliance with environmental regulations, Toronto Water is seeking authority to negotiate a one (1) year extension to its existing contract with Kemira. This approach is intended to maintain operational continuity while ensuring compliance with regulatory requirements.

Following the conclusion of negotiations, a detailed report will be submitted to provide the final dollar values and terms agreed upon, if applicable. During the process, every effort will be made to ensure that negotiations remain within the approved budget.

In parallel, Toronto Water will work with Purchasing and Materials Management Division (PMMD) to conduct a thorough market analysis aimed at identifying opportunities to enhance competitiveness in future solicitations and explore alternative chemicals, such as Ferric Sulphate or Ferric Chloride, which could potentially replace Toronto Water use of Ferrous Chloride for all or specific applications. This review is timely, as these alternatives, previously evaluated but ultimately set aside in favor of traditional methods due to higher costs and challenges in sourcing the required quantities, have not been assessed by Toronto Water since 2009, when market conditions created a limited supply of Ferrous Chloride.

The contract extension will ensure uninterrupted compliance while providing Toronto Water the opportunity to conduct thorough market research and issue a new competitive solicitation informed by the findings.

CONTACT

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SIGNATURE

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