

Amendment to Purchase Order Number 6053569 with Xylem Canada LP for Equipment and Services for the Integrated Pumping Station at Ashbridges Bay Treatment Plant

Date: September 5, 2025

To: General Government Committee

From: Chief Engineer and Executive Director, Engineering and Construction Services and Chief Procurement Officer, Purchasing and Materials Management

Wards: 14 (Toronto-Danforth)

SUMMARY

The purpose of this report is to request authority to amend Purchase Order Number 6053569, awarded under Request for Proposal Doc2767753648, issued to Xylem Canada LP, for equipment and services for the Integrated Pumping Station at the Ashbridges Bay Treatment Plant.

The total value of the Purchase Order Amendment being requested is \$25,536,656 net of all taxes and charges (\$25,986,102 net of Harmonized Sales Tax Recoveries), revising the current Purchase Order value from \$71,178,263 net of all taxes and charges (\$72,431,000 net of Harmonized Sales Tax Recoveries) to \$96,714,919 net of all taxes and charges (\$98,417,102 net of Harmonized Sales Tax Recoveries).

The requested amendment is required to adjust the contract value to reflect higher equipment costs resulting from inflation since the original proposal in 2021, as provided for under the price escalation clause in the Agreement between the City and Xylem Canada LP dated June 1, 2022, and to increase the contingency allowance.

This amendment request supports timely procurement and readiness of critical pumping equipment, while reducing exposure to further cost escalation and helping maintain continuity on this major infrastructure project.

RECOMMENDATIONS

The Chief Engineer and Executive Director, Engineering and Construction Services and the Chief Procurement Officer, Purchasing and Materials Management recommend that:

1. The General Government Committee, in accordance with section 71-11.1C of the City of Toronto Municipal Code Chapter 71 (Financial Control Bylaw), grant authority to the Chief Engineer and Executive Director, Engineering and Construction Services to amend Purchase Order 6053569 with Xylem Canada LP, for equipment and services for the Integrated Pumping Station, to increase the value by \$25,536,656 net of all taxes and charges (\$25,986,102 net of Harmonized Sales Tax Recoveries), revising the current Purchase Order value from \$71,178,263 net of all taxes and charges (\$72,431,000 net of Harmonized Sales Tax Recoveries) to \$96,714,919 net of all taxes and charges (\$98,417,102 net of Harmonized Sales Tax Recoveries).

FINANCIAL IMPACT

The total value of the Purchase Order Amendment identified in this report is \$25,536,656 net of all taxes and charges (\$25,986,102 net of Harmonized Sales Tax Recoveries).

Funding is included in Toronto Water's 2025 Capital Budget and 2026-2035 Capital Plan. Funding details with forecasted expenditures (net of Harmonized Sales Tax Recoveries) are summarized in Table 1.

Table 1: Financial Impact Summary of Purchase Order Number 6053569

WBS Element	Description	2025	2026	2027	2028
CWW040-08	M&T Pumping Station Rebuild	\$2,437,655	\$0	\$7,091,359	\$8,906,598

WBS Element	Description	2029	2030	2031	2032
CWW040-08	M&T Pumping Station Rebuild	\$0	\$0	\$0	\$0

WBS Element	Description	2033	2034	Total (2025-2034) (net of Harmonized Sales Tax Recoveries)
CWW040-08	M&T Pumping Station Rebuild	\$1,468,133	\$6,082,357	\$25,986,102

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 on July 14, 15 and 16, 2021, City Council granted authority to negotiate, award, and execute an agreement with Xylem Canada LP for the purchase of pumps / motors / drives for the Integrated Pumping Station, Construction Contract 3 at the Ashbridges Bay Treatment Plant based on the terms and conditions set out in Confidential Attachment 1 to the report (June 21, 2021) from the Chief Engineer and Executive Director, Engineering and Construction Services and the Chief Procurement Officer, Purchasing and Materials Management and in a form satisfactory to the City Solicitor. A copy of the Committee Decision Document can be found at: <https://secure.toronto.ca/council/agenda-item.do?item=2021.IE23.11>

COMMENTS

Background

The Integrated Pumping Station (IPS) project at the Ashbridges Bay Treatment Plant is a major infrastructure initiative to replace two aging pumping stations with one new integrated pumping station that will support the new Wet Weather Flow (WWF) tunnels that are part of the Don River and Central Waterfront program.

The IPS project includes a new pumping station, screening facility, odour control facility, generator building, and electrical substation. The project is being delivered through four construction contracts with a total estimated value of \$1.9 billion:

- Construction Contract 1 (CC1): Site preparation, including clearing, conduit isolation, and re-routing of existing electrical cabling and ducting – Completed.
- Construction Contract 2 (CC2): Demolition of the Ashbridges Bay Treatment Plant water tower; tunnelling and civil works for deep excavations, including the Mid-Toronto Interceptor, Low Level Interceptor tunnel, and Screen Building shafts and substructure – Completed.
- Construction Contract 3 – Quick Start (CC3 QS): Distribution chamber construction, conduits 8 & 9 and connections to D Building, utility relocations, site access modifications, and other upgrades – Design completed; currently at tender stage.
- Construction Contract 3 – Alternative Delivery (CC3 AD): Construction of the Integrated Pumping Station, Screen Building, Generator Facility, Substation, and related facilities – 100% design completed.

CC3 QS and CC3 AD were originally to be tendered and constructed as one contract, titled Construction Contract 3 (CC3). The City issued a Request for Supplier Qualifications (RFSQ) for General Contractors on May 31, 2024. However, due to limited market interest and industry feedback, the prequalification was cancelled on

August 1, 2024. To maintain project momentum, CC3 was restructured into two contracts in late 2024:

- CC3 QS was introduced to advance the initial phases of work.
- CC3 AD will deliver the remaining phases using a Construction Manager at Risk (CMAR) approach, aligning with industry feedback.

Pump Pre-purchase

The Integrated Pumping Station (IPS) is designed with four pump groups, each serving a distinct function:

- High Level Interceptor Pump Group – collects flows from the Toronto High Level Interceptor.
- Mid-Toronto / Low Level Interceptor Pump Group – receives flows from the Mid-Toronto Interceptor, Low Level Interceptor, and the Queen Street and Lakeshore Boulevard Interceptor Sewers.
- Wet Weather Flow Tunnel Pump Group – receives wet weather flows from the tunnel network being constructed under the Don River and Central Waterfront Project (the Wet Weather Flow Tunnels).
- Dewatering Pump Group – provides dewatering capacity for the Wet Weather Flow shaft at the IPS.

At the time of issuing the Request for Proposal (RFP) for the IPS engineering design, the City identified the need to procure pumping equipment in advance of Construction Contract 3. This was necessary because the IPS design is critically influenced by the characteristics of the pumps, motors, and drives, which are vendor-specific. Differences in pump design, size, weight, and performance across the four pump groups directly affect the overall design of the pumping station. Therefore, detailed pump specifications had to be secured in advance to enable the consultant to proceed with the final design.

In 2018, the City's consultant completed a review of procurement options and recommended pre-purchasing the pumps, motors, drives, and related equipment. The City accepted this recommendation. As a result, the scope of work under RFP No. 9117-20-7154 was to retain a qualified supplier to design and supply the required pumping equipment and associated services for the IPS. The procurement included fourteen (14) vertical shaft, end-suction centrifugal pumps with associated motors, drives, and appurtenances, packaged as follows:

- High Level Interceptor: 4 pumps
- Mid-Toronto / Low Level Interceptor: 4 pumps
- Wet Weather Flow Tunnel: 4 pumps
- Dewatering: 2 pumps

The City advertised RFP No. 9117-20-7154 on March 17, 2021. At its meeting of July 14–16, 2021, City Council authorized the Chief Engineer and Executive Director, Engineering and Construction Services, to negotiate, award, and execute an agreement with Xylem Canada LP for the supply of the equipment and services.

Xylem Agreement

The Agreement with Xylem Canada LP was executed June 1, 2022, and Purchase Order Number 6053569 was issued to Xylem Canada LP for the pre-purchase of fourteen vertical shaft, end suction centrifugal pumps, motors, drives, and associated appurtenances.

The Agreement provides that it will be novated to the future general contractor for IPS that will be building the pumping station.

The Agreement with Xylem was structured with two primary components: design coordination and manufacturing.

The first component of design coordination and shop drawing development began immediately after award in June 2022 and continued until July 2024. This component was essential to completing the detailed design of IPS. The second component of the contract, manufacturing of equipment and site services, initiates when the approval to manufacture equipment is provided to Xylem.

Price Escalation Clause for Pumping Equipment

Due to the long lead time between execution of the Agreement and the manufacturing of the equipment, the Agreement includes a negotiated price escalation clause. This clause permits adjustments to the contract price in proportion to changes in the Producer Price Index (PPI) for Pump and Compressor Manufacturing (Index No. PCU33391-33391).

The adjustment is calculated by applying the change in the PPI to the price quoted in the Supplier's Proposal. The clause applies only to specific components of the contract price—namely pumps, motors, and drives and does not apply to ancillary items such as storage, manuals, or support services.

The escalation period is defined as the time between the closing date of the RFP (March 17, 2021) and four weeks prior to the award of the General Contract, when approval for equipment manufacturing is provided. The adjusted price is determined using the ratio of the PPI at the end of the escalation period to the PPI at the RFP closing date.

At the time of RFP closing in March 2021, the PPI was 163.5. As of June 2025, the PPI has increased to 231.7, reflecting a 41.7% increase.

This escalation mechanism is common industry practice. It is intended to protect suppliers from inflationary pressures during extended procurement timelines, such as those associated with the IPS project, while ensuring the City continues to pay fair market pricing for the equipment.

Mitigation of Price Escalation

Between March 2021 and June 2025, the Producer Price Index (PPI) increased significantly. To minimize additional costs to the City from further potential PPI increases, three mitigation options were evaluated:

1. Providing approval to manufacture all equipment.
2. Providing approval to manufacture select equipment.
3. Deferring approval to manufacture equipment to coincide with the CC3 AD contract award.

After a thorough evaluation, providing approval to manufacture all equipment was deemed the best path forward. Proceeding this way will save the City approximately \$4.5 million in escalation cost, when compared with deferring approval to manufacture of all equipment until the CC3 AD contract award.

By authorizing early manufacturing, the City is proactively mitigating inflationary pressures, securing critical equipment in advance, and ensuring greater cost certainty. The contract includes provisions for long-term storage and maintenance, ensuring that the equipment remains in optimal condition until installation. This strategy balances financial prudence with project continuity and reflects best practices in managing complex infrastructure projects with long delivery. ensure

Escalation Mitigation through Negotiation with Xylem

Under the Agreement, the cumulative escalation amount payable to Xylem for a September 2025 approval to manufacture was projected at approximately \$25.4 million net of all taxes. To mitigate this impact, the City entered into negotiations with Xylem in January 2025.

As a result of these negotiations, the escalation period was shortened from its original end date of September 2025 to November 2024. This adjustment reduced the escalation period by ten months and generated cost savings of approximately \$3.4 million net of all taxes, representing a 13% reduction from the original escalation amount. The revised escalation amount is now approximately \$22.0 million.

In addition, the City also renegotiated the manufacturing and delivery timelines to align with the latest schedule for CC3 AD. This ensures that equipment delivery supports the revised construction strategy, while maintaining cost certainty and readiness for installation.

Purchase Order Amendment

The total value of the Purchase Order Amendment being requested is \$25,536,656 net of all taxes and charges (\$25,986,102 net of Harmonized Sales Tax Recoveries). This is to:

1. Allow for a pricing adjustment (escalation) on pump equipment and services for the Integrated Pumping Station, in accordance with the terms and conditions included in the Agreement between the City and Xylem dated June 1, 2022.

2. Increase contract contingency allowance to allow for purchase of additional spare parts if required by Toronto Water, to allow for additional storage and maintenance to align with CC3 AD construction schedule, and to adequately address other risks should they realize.

A breakdown of the POA is shown in Table 2.

Table 2: Breakdown of Purchase Order Amendment for PO 6053569

	Amount (net of all taxes)	Amount (net of Harmonized Sales Tax Recoveries)
Current PO Value	\$71,178,263	\$72,431,000
POA Amount for Escalation	\$22,036,656	\$22,424,501
POA Amount for Additional Contract Contingency	\$3,500,000	\$3,561,600
Amended PO Value	\$96,714,919	\$98,417,102

This amendment will revise the current Purchase Order value from \$71,178,263 net of all taxes and charges (\$72,431,000 net of Harmonized Sales Tax Recoveries) to \$96,714,919 net of all taxes and charges (\$98,417,102 net of Harmonized Sales Tax Recoveries).

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SIGNATURE

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