



**Financial Services
Procurement**
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Memorandum

Date: November 3, 2021

To: The Honorable Board of Directors

From: Sonya Collins, Chief Procurement Officer

CC: Cheryl Porter, Chief Operations Officer Water and Field Services
Navid Mehram, Chief Operating Officer Wastewater Operating Services
Nicolette Bateson, Chief Financial Officer & Treasurer

RE: Chemicals Procurement Updates

The purpose of this memo is to inform the Board of impacts concerning chemical cost increases and transportation delays in upcoming Board letters. Also provided is the Procurement strategy to protect the continuity of chemical supply as well as minimizing cost increases over the next year.

Background: GLWA's ability to secure chemicals including chlorine, sodium hypo-chloride, and various other chlorine-based chemicals has been interrupted several times due to raw resource limitations. Common themes include:

- decreased manufacturing of chemicals,
- unprecedented demand largely due to COVID-19, and
- transportation delays due to labor shortages.

Finally, natural disasters around the country have also contributed to shipping delays and increased cost. One example is Hurricane Ida which impacted production at a large manufacturer in Louisiana who is part of the supply chain that impacts GLWA.

In addition, for a period of time, Environment, Great Lakes & Energy (EGLE) directed municipal water suppliers (which includes GLWA) to not use chemicals from a primary supplier due to a change in their certification status.

Volatility in the market and inflation has caused significant price increases for all chemicals. Chart 1 below, outlines the current market challenge Procurement is trying to negotiate.

CHART 1				
Chemical	Original Price	Date of Increase	New Price	Percent Increase
Chlorine - One Ton Container	\$ 399.00	5/27/2021	\$ 460.00	15.0%
Chlorine - One Ton Container	\$ 460.00	8/23/2021	\$ 630.00	37.0%
Chlorine - Ninety Ton (Rail Car)	\$ 297.20	8/23/2021	\$ 467.20	57.0%
Sodium Bisulfite	\$ 280.00	1/1/2021	\$ 340.00	21.0%
Phosphoric Acid	\$ 7.24	8/1/2021	\$ 7.79	7.6%
Hydrofluorosilic Acid	\$ 367.00	8/1/2021	\$ 462.00	26.0%
Sodium Hypochlorite	0.8	*TBD	*TBD	*TBD
* Increase has not yet been finalized				

It should also be noted that suppliers have turned to an allotment method for order filling to ensure that all of their customers have at least their minimum required amounts to meet current demands. To further protect their current clients, manufacturers and distributors are not taking on new customers. Therefore, vendors are not bidding on new chemical solicitations because of the volatility in the market causing unpredictable fluctuation in raw materials. In discussion with other Member Partners, they are experiencing the same issues with chemicals. GLWA Procurement will be working alongside those Member Partners to coordinate efforts and assist where we can and potentially reduce risks and costs.

Strategy: In assessing the current market, Procurement finds it prudent to extend all current chemical contracts for a minimum of one year to give adequate time to fully assess the market and allow manufacturers to catch up production with demand. Procurement also intends to use this time to identify the possibility of new sources of product. Procurement is implementing a dual sourcing plan for redundancy in chemicals to avoid any interruption in chemical supply going forward. Table 2 represent the current contracts GLWA holds and their expiration dates.

CHART 2					
Chemical	Vendor Name	Contract / Purchase Order Number	Initial Contract Expiration date	Renewal Options	Renewal Option(s) Expiration date
Chlorine	JCI Jones Chemical	4302	1/1/2016	2	12/31/2021
Hydrofluorosilic Acid	Pennco	21426, 21486, 21498	N/A	N/A	Emergency Purchase Order
Hydrofluorosilic Acid	PVS Nolwood	2000746	3/31/2020	2	3/31/2022
Sodium Hypochlorite	PVS Nolwood	RFB 1123	3/31/2020	2	3/31/2022

With consideration of the current state of the chemical industry and risks associated with bidding critical chemicals at this time, (both price and availability) it is in GLWA's best interest to extend the current chemical contracts while simultaneously working to dual source the existing contracts.