



Legislation Text

File #: 2018-579, Version: 1

RFB 1118 Ferric Chloride - Kemira Water Solutions, Inc.

Agenda of: March 28, 2018
Item No.: **2018-579**
Amount: \$13,772,500.00

TO: The Honorable
Board of Directors
Great Lakes Water Authority

FROM: Sue F. McCormick
Chief Executive Officer
Great Lakes Water Authority

DATE: March 9, 2018

RE: **RFB 1118 Ferric Chloride - Kemira Water Solutions, Inc.**

MOTION

Upon recommendation of Suzanne Coffey, Chief Planning Officer, Interim Chief Operating Officer -- Wastewater, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA) authorizes the Chief Executive Officer (CEO) to **enter into an Agreement for Ferric Chloride with Kemira Water Solutions, Inc. at a cost not to exceed \$8,263,500.00 for three years with two one-year renewal options at \$2,754,500.00 per year for a total of \$13,772,500.00** and authorizes the Chief Executive Officer to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

GLWA utilizes liquid ferric chloride in the chemical treatment of wastewater at the Water Resource Recovery Facility (WRRF). Ferric chloride is an essential chemical in settling of suspended solids; as such, it plays a significant role in the removal of solids and phosphorus in the primary treatment process of wastewater to comply with the permit requirements. This is achieved by using two ferric chloride feeding sites located at both influent pump stations at WRRF.

This procurement requires vendors to comply with all local, state and federal laws, ordinances, rules and regulations pertaining to the safe transportation and handling of ferric chloride solution. In addition, the successful vendor will also provide training in safety procedures for the handling and storage of ferric chloride for all WRRF personnel who are in daily contact with the vendor's product. Training includes, but is not limited to safe procedures for handling, storage, spill containment and

neutralization, and first aid for exposure to the product.

JUSTIFICATION

Procurement Method

The Procurement Group of Supply Chain Operations Team, competitively bid this project to obtain the lowest responsive and responsible vendor.

Advertised: December 7, 2017
On BidnetDirect(MITN) - Request for Bid (RFB) 1118

Distributed to: 131 vendors

Downloaded bid documents: 15 vendors

Response due date: December 28, 2017

Responses received: Two (2) vendors submitted bids

Evaluation Method: Request for Bid (RFB) - Lowest responsive and responsible bid tabulation.

<u>Vendor (Lowest to Highest)</u>	<u>Cost</u>
Kemira Water Solutions	\$393.50 per ton
PVS Technologies	\$438.00 per ton

The price is firm for the term of the agreement.

It is recommended to award to Kemira Water Solutions.

Kemira Water Solutions is the incumbent provider.

Litigation

This vendor is not currently nor has been previously involved in any litigation with GLWA.

Financials

A financial risk assessment was performed by Supply Chain Operations via Dun & Bradstreet. It was determined that the selected vendor has the financial capacity to perform the tasks under this contract. This information is available for the Board of Directors to review upon request.

Project Estimate

It is estimated that the facility will use 7,000 tons of ferric chloride per year for this agreement. The yearly projection for this agreement is \$2,754,500.00 (estimate of 7000 tons at \$393.50/ton), totaling \$13,772,500.00 for five years. The expected start date of the first three-year term is May 28, 2018. This agreement provides for two one-year renewal options available to GLWA.

BUDGET IMPACT

Ferric Chloride is budgeted in the Sewer Operations Primary Treatment Cost Center under Operating Supplies - Chemicals (5960-892223.000-621600-SD9080). The table below represents the financial plan for the next five years.

Chemical	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Ferric Chloride	\$2,800,000	\$2,884,000	\$2,970,520	\$3,059,636	\$3,151,425

The budget is based on an estimated annual 7,000 tons needed for primary treatment. This annual procurement of Ferric Chloride as presented is within the financial plan.

SAVINGS, COST OPTIMIZATION, AND REVENUE ENHANCEMENT IMPACT

The previous agreement negotiated in 2014 by the City of Detroit Water and Sewerage Department (DWSD) was a two-year agreement with two one-year options with automatic price increases in the two option years. GLWA negotiated maintaining the contracted price for the first renewal option.

Contract Year	Contract Price Per Ton	Negotiated Price Per Ton	Difference
2014-2015	\$306.00	\$306.00	\$0.00
2015-2016	\$306.00	\$306.00	\$0.00
2016-2017	\$306.00	\$306.00	\$0.00
2017-2018	\$390.00	\$367.00	(\$23.00)

In this previous agreement, procurement negotiated the final price paid under the previous agreement to \$367.00 and not \$390.00 per ton, a 6% cost optimization.

By going with the lowest vendor, GLWA has an annual cost optimization of \$311,500.00. If we selected the higher price vendor, GLWA would pay \$438.00 per ton, making the annual cost \$3,066,000.00.

As this commodity is subject to market fluctuations, Procurement will monitor market prices quarterly and re-evaluate pricing based upon Federal Reserve Economic Data (FRED) Producer Price Index.

COMMITTEE REVIEW

This matter was reviewed by the Operations and Resources Committee at its March 14, 2018 meeting. The Operations and Resources Committee unanimously recommended that the GLWA Board adopt the resolution as presented.

SHARED SERVICES IMPACT

This item does not impact the shared services agreement between GLWA and DWSD.