



Legislation Text

File #: 2019-403, Version: 1

Contract No. 1903389

Phosphoric Acid

CIP# N/A / BCE Score: N/A

Agenda of: November 13, 2019

Item No.: **2019-403**

Amount: \$6,444,600.00

TO: The Honorable
Board of Directors
Great Lakes Water Authority

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

DATE: November 7, 2019

**RE: Contract No. 1903389
Phosphoric Acid
Vendor: PVS Nolwood Chemicals, Inc.**

MOTION

Upon recommendation of Cheryl Porter, Chief Operating Officer - Water Operations and Field Services, the Board of Directors (Board) of the Great Lakes Water Authority (GLWA), authorizes the Chief Executive Officer (CEO) to **enter into Contract No. 1903389 "Phosphoric Acid" with PVS Nolwood Chemicals, Inc., at a cost not to exceed 3,866,760.00 for a duration of three (3) years, plus two (2) one (1) year renewal options at a cost of \$1,288,920.00 each year, for a total contract value of \$6,444,600.00;** and authorizes the CEO to take such other action as may be necessary to accomplish the intent of this vote.

BACKGROUND

"Phosphoric Acid, Technical Grade, 75% Concentration" needs to be provided to GLWA's five water treatment plants (WTP) for compliance with the EPA Lead and Copper Rule that requires corrosion control treatment. Corrosion control treatment minimizes the dissolution of lead and/or copper during water delivery to consumers. Corrosion control treatment has been used for over 15 years.

JUSTIFICATION

Contract No. 1903389 will provide Phosphoric Acid to GLWA's five WTPs for compliance with the EPA Lead and Copper Rule.

GLWA water treatment plants:

- Lake Huron WTP
- Northeast WTP
- Southwest WTP
- Springwells WTP
- Water Works Park WTP

FINANCIAL PLAN IMPACT

Summary: The proposed contract with PVS Nolwood Chemicals, Inc. encompasses Operations & Maintenance expense only. The FY 2020 budget and five-year financial plan was based on prior usage of all chemicals over the contract periods. The value of the contract exceeds the current financial plan in total. Potential positive variances of other chemicals as well as the use of this chemical may vary by year therefore, sufficient funds will be provided in the Operations & Maintenance (O&M) financial plan for this contract related to operating supplies-chemicals.

Funding Source: Operations & Maintenance (O&M) Budget

Cost Center(s): Water Works Park WTP	Water Operations cost center 882131
Springwells WTP	Water Operations cost center 882141
Northeast WTP	Water Operations cost center 882151
Southwest WTP	Water Operations cost center 882161
Lake Huron WTP	Water Operations cost center 882171

Expense Type: Operating Supplies - Chemicals (621600)

Estimated Cost by Year and Related Forecasted Variance: See table below.

<u>Fiscal Year</u>	<u>Amount</u>
FY 2020 Budget	\$1,267,000
FY 2021 Financial Plan	1,267,000
FY 2022 Financial Plan	1,267,000
FY 2023 Financial Plan	1,267,000
FY 2024 Financial Plan	<u>1,267,000</u>
Financial Plan Forecast	\$6,335,000
Proposed Contract Amount	<u>\$6,444,600</u>
Variance (positive/ (negative))	\$ (109,600)

SAVINGS, COST OPTIMIZATION, AND REVENUE ENHANCEMENT IMPACT

The award of this contract provides a variance of \$109,600 (\$6,335,000 financial plan forecast less \$6,444,600 proposed contract amount). The actual usage of all chemicals fluctuates with changes in production, treatment volume, consumption, pumping and customer growth. The result of the fluctuation may be more or less than estimated quantities forecasted with the use of each chemical and current market pricing, thus decreasing the variance.

COMMITTEE REVIEW

This item was presented to the Operations and Resources Committee at its meeting on November 13, 2019. 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.