



ERIE COUNTY WATER AUTHORITY

INTEROFFICE MEMORANDUM

June 7, 2023

To: Terrence D. McCracken, Secretary to the Authority

From: Michael W. Wymer, Senior Production Engineer *MW*

Subject: Furnish and Deliver Polyaluminum Chloride Coagulant
to the Erie County Water Authority for Use in the Treatment of Water
for One Year
ECWA Project No. 202200031

The following documents are attached:

- Blue Authorization Form - this form provides the project name and project number, the action that is being requested of the Board, and it provides a list of approvals that are required prior to being acted on by the Board.
- Letter dated May 1, 2023, from Kemira Water Solutions, Inc. requesting the contract extension.
- Three (3) originals of Amendment No. 1 request for Board action and execution by the Authority.

Erie County Water Authority uses various water treatment chemicals to provide safe, clean, and dependable drinking water to the residents of Erie County. One of the necessary treatment chemicals used at both of our water treatment plants is polyaluminum chloride, a coagulant. This chemical is essential for the removal of suspended materials in the water treatment process.

The current contract for furnishing and delivering polyaluminum chloride coagulant expires June 30, 2023. Kemira Water Solutions, Inc. has agreed to a one-year extension of the contract at the revised terms and conditions outlined in their request which are reflected in the amendment.

Amendment No. 1 will extend the contract completion date to June 30, 2024.

Budget Information:

O&M Line-Item No. 13, Chemicals

Unit 1010 Sturgeon Point: 1010 401000 640113

1015 Van de Water: 1015 401000 640213

MWW:jmf

Attachments

cc: R.Stoll

L.Kowalski

D.Patton

CHEM-712-2201-X-20

ERIE COUNTY WATER AUTHORITY
AUTHORIZATION FORM
For Approval/Execution of Documents
(check which apply)

Contract: 22-21-05

Project No.: 202200031

Project Description: Furnish and Deliver Polyaluminum Chloride Coagulant
to the Erie County Water Authority for Use in the Treatment of Water for One Year

Item Description:








- | | | | |
|--|--|---|---------------------------------------|
| <input type="checkbox"/> Agreement | <input type="checkbox"/> Professional Service Contract | <input checked="" type="checkbox"/> Amendment | <input type="checkbox"/> Change Order |
| <input type="checkbox"/> BCD | <input type="checkbox"/> NYSDOT Agreement | <input type="checkbox"/> Contract Documents | <input type="checkbox"/> Addendum |
| <input type="checkbox"/> Recommendation for Award of Contract | <input type="checkbox"/> Recommendation to Reject Bids | | |
| <input type="checkbox"/> Request for Proposals | | | |
| <input checked="" type="checkbox"/> Other <u>One Year Contract Extension</u> | | | |

Action Requested:

- | | |
|---|--|
| <input checked="" type="checkbox"/> Board Authorization to Execute | <input checked="" type="checkbox"/> Legal Approval |
| <input type="checkbox"/> Board Authorization to Award | <input checked="" type="checkbox"/> Execution by the Chairman |
| <input type="checkbox"/> Board Authorization to Advertise for Bids | <input type="checkbox"/> Execution by the Secretary to the Authority |
| <input type="checkbox"/> Board Authorization to Solicit Request for Proposals | |
| <input type="checkbox"/> Other _____ | |

Approvals Needed:

APPROVED AS TO CONTENT:

- | | | |
|--|--|-------------------------|
| <input checked="" type="checkbox"/> Sr. Production Engineer |  | Date: <u>06/08/2023</u> |
| <input checked="" type="checkbox"/> Chief Operating Officer |  | Date: <u>6/8/23</u> |
| <input checked="" type="checkbox"/> Executive Engineer |  | Date: <u>06/09/2023</u> |
| <input checked="" type="checkbox"/> Director of Administration |  | Date: <u>06/08/2023</u> |
| <input checked="" type="checkbox"/> Risk Manager |  | Date: <u>6/8/2023</u> |
| <input checked="" type="checkbox"/> Chief Financial Officer |  | Date: <u>06/09/2023</u> |
| <input checked="" type="checkbox"/> Legal |  | Date: <u>6/8/2023</u> |

APPROVED FOR BOARD RESOLUTION:

- | | | |
|--|--|----------------------|
| <input checked="" type="checkbox"/> Secretary to the Authority |  | Date: <u>6/12/23</u> |
|--|--|----------------------|

Remarks: Amendment No. 1

Resolution Date: _____

Item No: _____

May 1, 2023

David M. Patton, PE
Sr. Production Engineer
Erie County Water Authority
722 Sturgeon Point Road, New York 14047
P: (716) 685.8229
E: dpatton@ecwa.org

Reference: Erie County Water Authority – Project No. 202200031 – Furnish and Deliver Polyaluminum Chloride Coagulant to the Erie County Water Authority – Extension No. 1

Good day, David,

Kemira Water Solutions Inc. would like to propose the below price for Liquid Polyaluminum Chloride (PACI) SternPAC for the Extension No. 1:

Option 1. Normal historical load size:

Approx. **46,000 liquid lbs delivered to Sturgeon Point WTP** and 68,000 liquid lbs to Jerome D. Van de Water WTP
New price: \$0.250 / liquid lb delivered effective 07/01/23 through 06/30/24.

Option 2. Increased load size:

Approx. **68,000 liquid lbs delivered to Sturgeon Point WTP** and 68,000 liquid lbs to Jerome D. Van de Water WTP
New price: \$0.233 / liquid lb delivered effective 07/01/23 through 06/30/24.

Justification documentation included within this extension reply presents the indexes for freight and Polyaluminum Chloride cost drivers in North America, which describe the overall market trends. Please note that Kemira has its own cost trend that also drives its manufacture and supply costs of PACI.

If ECWA would like to increase the load size to Sturgeon Point, Kemira will target delivery size of approx. 68,000 liquid lbs most of the time pending truck size availability and prior safety assessment that enough space is available for a larger truck.

If you have any questions or concerns please email our Commercial Support team at KWSNA.Bids@kemira.com or contact me directly at 514-601-5785.

Sincerely,

Catherine Brosseau

Account Manager | Industry & Water
Kemira Water Solutions, Inc
catherine.brosseau@kemira.com

Kemira Oyj

P.O.Box 330 (Energiakatu 4)
FI-00101 Helsinki
Finland

www.kemira.com

Europe, Middle-East and Africa

Tel +358 10 8611

Asia-Pacific

Tel +86 21 6037 5999

Americas

North America
Tel +1 770 436 1542
South America
Tel +55 11 2189 4900

MARCH 2023 | INORGANIC COAGULANTS PRODUCT LINE MGMT NORTH AMERICA

Inorganic Coagulants North America Raw Material Feedstock Cost Development Aug update

KEMIRA WATER SOLUTIONS

kemira

Price inflation challenges and raw material supply constraints were significant in 2022. We see relief in price inflation and supply for some commodities in 2023, but not all.

The market has seen a significant inflation last couple of years fueled by skyrocketing upstream feedstock / commodities as well as “seller’s market” appetite to maximize profit in tight supply and strategy for reinvestment economics. This was observed in 2021 and continued strong in 2022.

Ongoing geopolitical situation added pressure to global supply of raw materials, on top of an already highly constrained market.

With **softening of the economy**, there is some decrease in demand for global commodities. **North America market is more balanced** in Q1 2023 in terms of supply. However, some commodities are becoming tighter in supply and prices are again starting to increase due to **geopolitical conflict** supply restrictions and **China economy** start-up

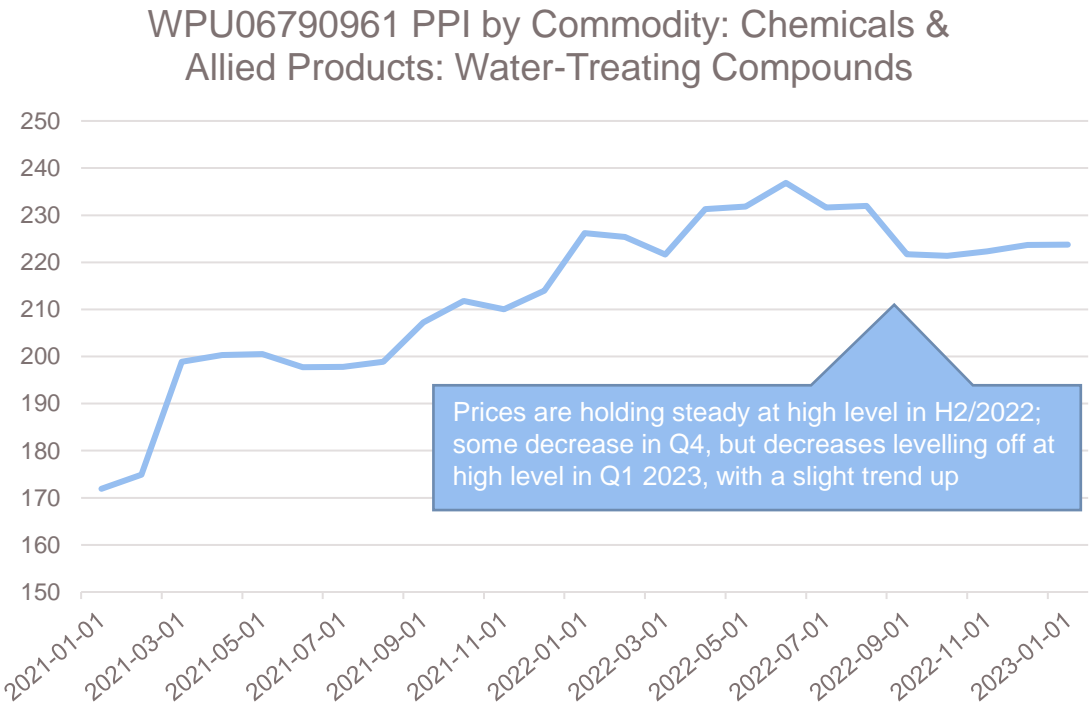
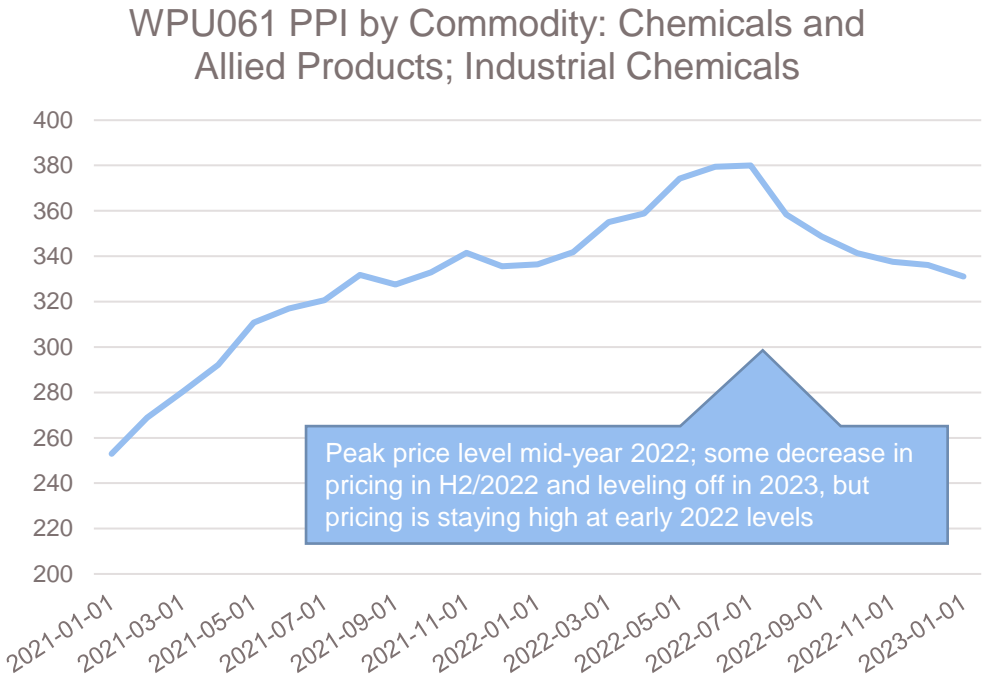
- **Chlorine** market has calmed down from previous months but there were still some producers pushing for price increases in Q4/2022. Demand is down temporarily but average 2023 prices are higher compared to 2022. There is no appetite from producers to reduce price.
- **HCL** supply is balanced in North America now as on-purpose producers are producing more to consume chlorine, with by-product still low due to lower demand. Announced price increases for Q4 were fully implemented. There is a market adjustment on price, and 2023 pricing will be higher compared to 2022.
- **Scrap metal prices are on the rise** The market for (prime) scrap very short at the moment. We see strong demand for scrap iron from Steel Mills. It is expected that the situation will get worse during the next months/years with more mini-mill capacity coming online and export demand to increase.
- **Aluminum Ingot** pricing is on the rise, driven by ban of Russian material to US and Canada and higher demand from China

The net



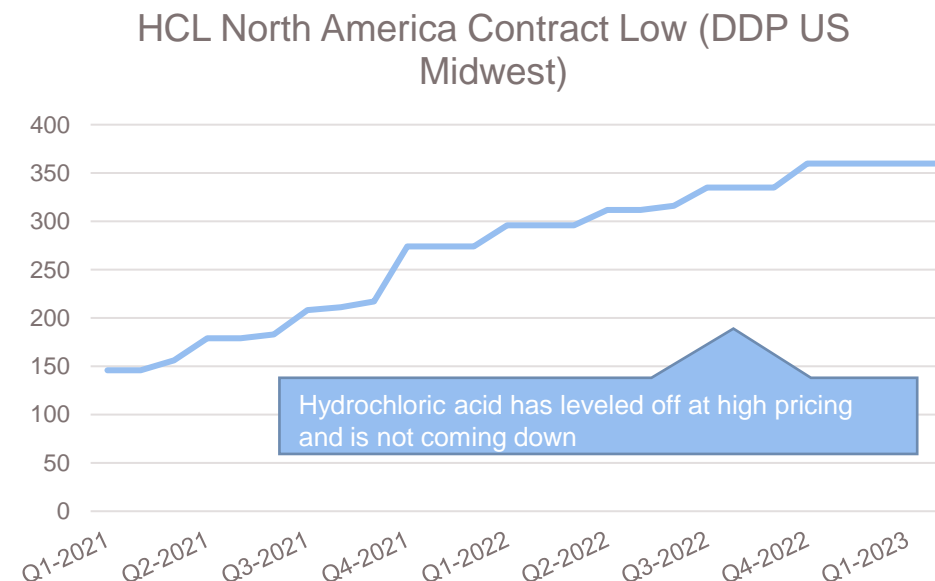
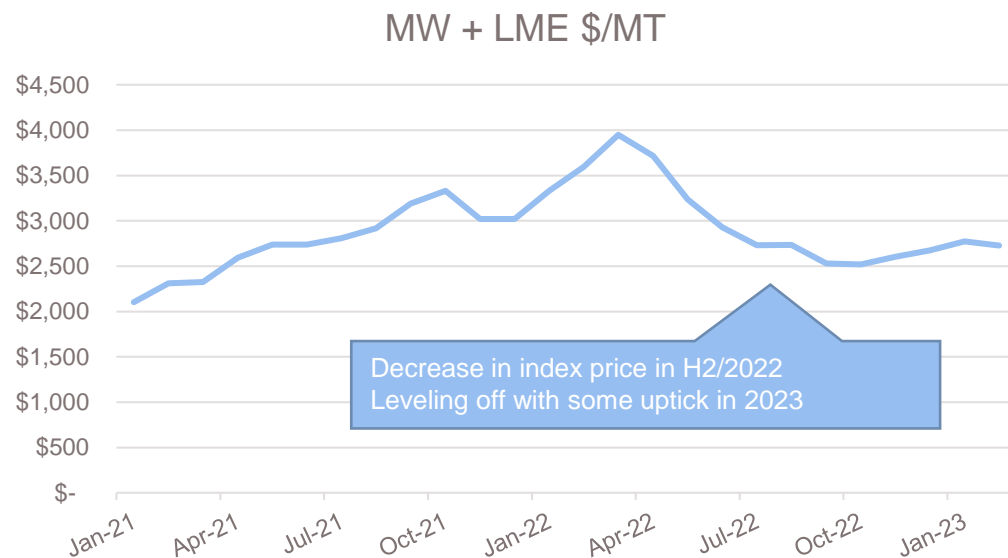
Commodity Chemical Pricing trend

PRODUCER PRICE INDEX REPORTED BY FED (FEDERAL RESERVE ECONOMIC DATA)
[HTTPS://FRED.STLOUISFED.ORG](https://fred.stlouisfed.org)



Chemical commodity pricing is staying at high level. Despite some leveling off toward the end of 2022, there is a clear desire by producers to maintain price at high level. Water Treatment chemical index (WPU 06790961) clearly shows a reverse trend from Q4 decrease.

AL (PACL) Coagulants RM Price Evolution



Aluminum sources →

- LME (London Metal Exchange) index is yet another one used to track metal and aluminum prices.
- Prices have risen sharply in early 2022 on demand / supply disruptions due to geopolitical issues, and in March have hit a record price close to \$4,000.
- Prices have pushed up in 2022 due to significant increase in demand.
- The index has decreased since then on softening demand, but generally pricing is staying high albeit demand/supply is more balanced going into 2023.
- Aluminum Ingots pricing is again on the rise driven by ban of Russian material to US and Canada, tariff discussions, disruptions at smelters & strong demand from China.

HCL →

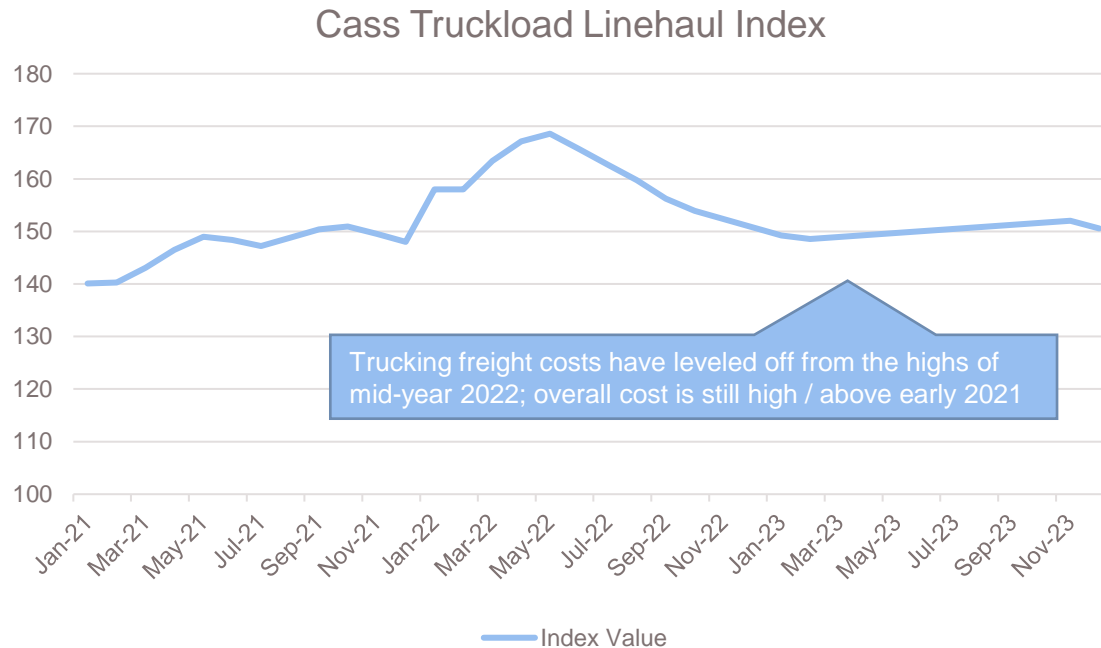
- The HCL market is more balanced in supply as we move into 2023. By-product production is still limited due to reduced demand on building materials, but on-purpose producers are turning out more HCL to consume chlorine. The market is expected to remain balanced for most of 2023 (strongly tied to the economy changes).
- Irrespective of supply, suppliers are bringing HCL prices up and increasing the market value. This is the main driver for HCL price increases. Additional pressure will come when cyclical sector demand, such as O&G and new demand for North America market picks up.

Freight Logistics – Freight Trucking

SOURCE: CASS TRUCKLOAD LINEHAUL INDEX

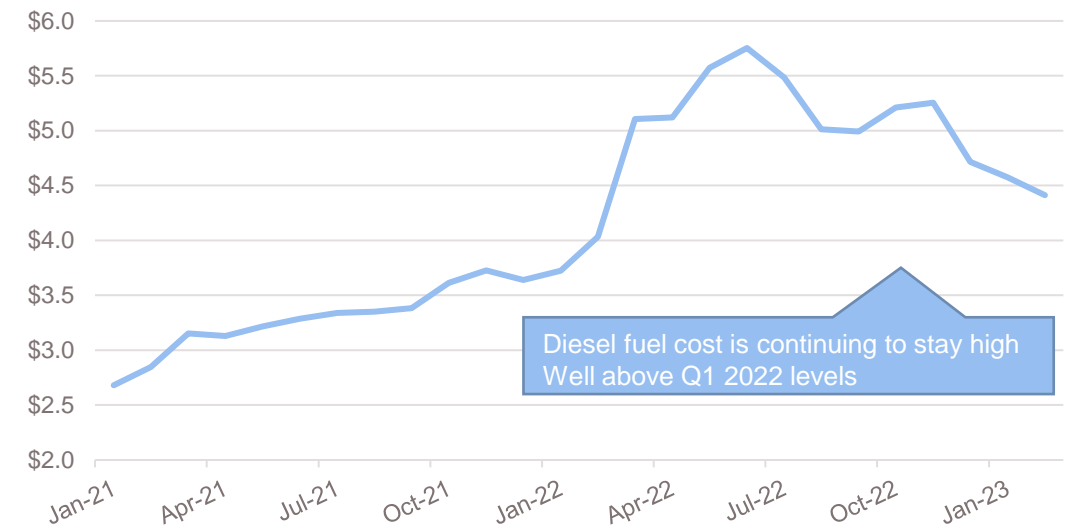
Cass Truckload Linehaul Index & Fuel Cost Trend

A measure of changes in per-mile truckload linehaul rates



The Cass Truckload Linehaul Index™ is an accurate, timely indicator of market fluctuations in per-mile truckload pricing. The index isolates the linehaul component of full truckload costs from other components (e.g. fuel and accessorial), providing an accurate reflection of trends in baseline truckload prices. Increases in 2022 have skyrocketed but have since come down. Price levels are still high compared to early 2021 levels.

U.S. No 2 Diesel Ultra Low Sulfur (0-15 ppm) Retail Prices (Dollars per Gallon)



Freight cost have skyrocketed in North America in 2022, not only on increase in line haul rates but also unprecedented increase in fuel cost, as well as increase in overhead costs in needing to secure additional drivers and common carrier (unusual routing) at much higher than standard cost. The overall impact on business has been significant. Fuel costs continue at high level.

kemira

Where water
meets chemistry™

**AMENDMENT NO. 1 TO
THE POLYALUMINUM CHLORIDE CONTRACT**

AMENDMENT, effective June 22, 2023, to the Contract for Furnishing and Delivering of Polyaluminum Chloride Coagulant to the Erie County Water Authority for the Treatment of Water (Contract No. 22-21-05) (the “Contract”), entered on May 19, 2022, by and between

ERIE COUNTY WATER AUTHORITY

295 Main Street, Room 350
Buffalo, New York 14203

hereinafter referred to as the “Authority,” and

KEMIRA WATER SOLUTIONS, INC.

4321 W. 6th Street
Lawrence, Kansas 66049

hereinafter referred to as “Supplier.”

WHEREAS, on May 19, 2022, the Authority awarded the Supplier the Contract; and

WHEREAS, the Contract, effective on May 19, 2022, provides for liquid polyaluminum chloride coagulant (“PACI”) to be supplied to the Authority, as ordered, from July 1, 2022 until June 30, 2023; and

WHEREAS, in accordance with article 5, paragraph 5.02 of the Contract, no modification or variation from the terms of the Contract shall be effective unless it is in writing and authorized by a resolution of the Board of Commissioners of the Authority (the “Board”) and signed by all parties; and

WHEREAS, the parties wish to extend this Contract for an additional one-year period from July 1, 2023 until June 30, 2024 pursuant to article 1, paragraph 1.04 of the Contract; and

WHEREAS, the Supplier has requested an increase in payment to the price of \$0.233 per liquid pound of PACI; and

NOW, THEREFORE, in consideration of mutual promises herein set forth, the parties agree to the following:

- (1) The terms and conditions of the Contract shall continue in effect until June 30, 2024; and

- (2) Paragraph 4.01 of the Contract shall be deleted in its entirety and to replace it with the following:

4.01 The Supplier agrees to accept the unit price of **\$0.233** for furnishing, delivering and unloading each liquid pound of Polyaluminum Chloride to the Sturgeon Point Water Treatment Plant; and

- (3) Paragraph 4.02 of the Contract shall be deleted in its entirety and to replace it with the following:

4.02 The Supplier agrees to accept the unit price of \$0.233 for furnishing delivering and unloading each liquid pound of Polyaluminum Chloride to the Jerome D. Van de Water Water Treatment Plant; and

- (4) The parties agree all other terms and conditions of the Contract shall remain without change or amendment; and

- (5) This Amendment may be executed in counterparts, each of which is deemed an original, but all of which together are deemed to be one and the same agreement.

IN WITNESS WHERETO, the parties hereto have caused this Amendment No. 1 to be signed by their respective duly constituted officers, attested and sealed pursuant to proper authority.

ERIE COUNTY WATER AUTHORITY

By _____
Jerome D. Schad, Chair

KEMIRA WATER SOLUTIONS, INC.

By _____

STATE OF NEW YORK)
COUNTY OF ERIE) ss:

On the ____ day of June, in the year 2023, before me personally came Jerome D. Schad, to me known, who, being by me duly sworn, did depose and say that he resides in the Amherst, New York, that he is the Chair of the Board of Commissioners for the Erie County Water Authority described in the above instrument, and he signed his name thereto by the authorization of the Board of Commissioners for the Erie County Water Authority.

Notary Public

STATE OF _____)
COUNTY OF _____) ss:

On the ____ day of _____, in the year 2023, before me personally came _____, to me known, who, being by me duly sworn, did depose and say that he/she resides in _____ that he/she is the _____ of the Corporation described in the above instrument; and that he/she signed his/her name thereto by order of the Board of Directors of said Corporation.

Notary Public