Sewage Treatment Plant Upgrades and Expansion Program

EPC Briefing

May 12, 2010

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Outline

- 2002 Raw Sewage Spill
- Clean Environment Commission
- Urgent Environmental Deadlines
- The Need to Protect Taxpayers
- The Search for a New Model to Build the Plants
- Contract Terms

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History

- Emergence of algae on Lake Winnipeg as major public concern – Premier Doer hosts summit on health of the Lake in 2000
- 2002 North End Sewage Treatment mechanical failure
- Major spill of raw sewage into Red River
- Province calls Clean Environment Commission hearings into Winnipeg sewage system
  - All 3 City sewage treatment plants to be upgraded
  - Bio-solids
  - Combined sewer outflows
- Results in *Environment Act* license with strict deadlines for $661million in work

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Urgent Deadlines

- Under Provincial Law upgrades to our sewage plants must be completed by:
  - South End plant: end of 2012
  - North End plant: end of 2014

- City Council in November 2008 directs public service to consider a model where taxpayers are better protected with these major construction projects

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Facts of Proposed Contract

- 100% City ownership of Utility and Utility assets
- Sewage only – nothing to do with water
- Provincial law prohibits private ownership / operation water system
- No subsidiary or partnership

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Facts of Proposed Contract

- No contracting out of jobs.
- Veolia will not provide financing.
- City retains control of Utility
- City remains fully accountable for compliance with regulatory permits and licenses.

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Expert Assistance in a Team Approach

- Veolia will accept financial risk for service quality as the City project managers and Veolia will be working as a team overseeing design, construction and later planning for sewage treatment plant optimization

- Because the City and its staff is keeping control of sewage system operations, Veolia will share risks with City rather than accepting full financial risk

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Contract Compensation

- The contract is to establish a 30-year collaborative team approach to management of both capital and operating aspects of our sewage treatment system
- Up to 80% of sewage treatment costs to the City are from operations
- The proposed contract therefore has a strong focus on achieving excellence of service and cost savings from optimizing sewage system operations

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Contract Compensation

- The majority of Veolia's total expected compensation is dependent upon their success in finding cost savings while meeting service quality standards

Contract Compensation

- Current electricity and chemical costs for operating our sewage treatment plants cost millions.
- This will be a key area for reducing costs
- The management fee Veolia will charge upon various aspects of the work of the sewage program was competitively bid and is the best for the City

Protecting Taxpayers

- The management fee that Veolia can earn on work is always at risk through the 30-year Program
- Their management fee will be forfeited if need be to cover financial losses at any time during the 30 years on costs such as construction being over-budget

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Protecting Taxpayers

- Rather than paying Veolia and trying to get money back as we do now if something goes wrong - this contract will ensure their compensation is not released until the sum of their compensation exceeds future financial risk exposure levels to the City

- The City expects to save taxpayers between 10% and 20% on both construction and operating costs for the sewage system

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