Agenda – Executive Policy Committee – July 9, 2014

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – July 4, 2014

Item No. 2 Approval of Single Source Negotiation and Award of Contract for the Supply and Delivery of Oxygen to the NEWPCC and SEWPCC

STANDING COMMITTEE RECOMMENDATION:

On July 4, 2014, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the following to Council:

1. That a single source negotiation and award of contract for the supply and delivery of oxygen to the North End Water Pollution Control Centre (NEWPCC) and the South End Water Pollution Control Centre (SEWPCC), including all associated property lease agreements with the vendor, for the period from January 1, 2015 to December 31, 2019 to Praxair Canada Inc. in the amount of $10,325,000.00 GST and MRST extra as applicable. This recommendation is pursuant to B4.1 (f) of the Materials Management Policy where "the compatibility of a supply with existing property or services is the paramount consideration and that supply is available only from a single supplier.", be approved.

2. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Agenda – Executive Policy Committee – July 9, 2014

Report – Standing Policy Committee on Infrastructure Renewal and Public Works – July 4, 2014

DECISION MAKING HISTORY:

STANDING COMMITTEE RECOMMENDATION:

On July 4, 2014, the Standing Policy Committee on Infrastructure Renewal and Public Works concurred in the recommendation of the Winnipeg Public Service and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **APPROVAL OF SINGLE SOURCE NEGOTIATION AND AWARD OF CONTRACT FOR THE SUPPLY AND DELIVERY OF OXYGEN TO THE NEWPCC AND SEWPCC BID SOLICITATION NO. 824-2013**

Critical Path: **STANDING POLICY COMMITTEE ON INFRASTRUCTURE RENEWAL AND PUBLIC WORKS - EPC- COUNCIL**

AUTHORIZATION

Author	Department Head	CFO	CAO
Chris Carroll, MBA, P. Eng. Manager of Wastewater Services	G. Patton, P. Eng., Acting Director of Water and Waste	M. Ruta	D. Joshi A/CAO

RECOMMENDATIONS

That Council approve single source negotiation and award of contract for the supply and delivery of oxygen to the North End Water Pollution Control Centre (NEWPCC) and the South End Water Pollution Control Centre (SEWPCC), including all associated property lease agreements with the vendor, for the period from January 1, 2015 to December 31, 2019 to Praxair Canada Inc. in the amount of $10,325,000.00 GST and MRST extra as applicable. This recommendation is pursuant to B4.1 (f) of the Materials Management Policy where "the compatibility of a supply with existing property or services is the paramount consideration and that supply is available only from a single supplier."

REASON FOR THE REPORT

As the total conditional amount to be paid by the City pursuant to the contract is estimated to be $10,325,000.00 GST and MRST extra as applicable, the term of the contract exceeds 5 years, and the contract is for a purchase that obligates the City to expenditures on future budgets, Council must approve single source negotiations and the award of contract pursuant to B 8.2.3 of the Materials Management Policy.

IMPLICATIONS OF THE RECOMMENDATIONS

The duration of this contract extension is for the period from January 1, 2015 to December 31, 2019 for the supply and delivery of oxygen to the North End Water Pollution Control Centre (NEWPCC) and the South End Water Pollution Control Centre (SEWPCC) on an "as required" basis. Funds for the Supply of Chemicals are included in the annual Current Budget identified as Sewage Disposal System –

Interception and Treatment Regional Account Distribution No. 444-533020-201108 Class 999 (NEWPCC) and No. 444-533020-201109 Class 999 (SEWPCC).

HISTORY

In 1982 the City of Winnipeg entered into an agreement with Catalytic Enterprises for the supply and delivery of oxygen for the treatment of sewage at the NEWPCC. The term of the contract was from July 15, 1982 to December 31, 1999 and included the construction of an oxygen generating facility at the NEWPCC that was owned and operated by the Contractor.

On April 13, 1983 Catalytic Enterprises changed its name to Stearns Catalytic Ltd.

On April 1, 1987 Stearns Catalytic Ltd changed its name to Air Products Canada Ltd.

On April 15, 1997 Air Products' proposal includes the supply of liquid oxygen to the SEWPCC at a cost of $100 per tonne for hauling, with no charge for the product, and provision at no cost to the City, of a larger storage tank. The SEWPCC uses liquid oxygen (LOX) as a backup to its on-site oxygen production equipment. Air Products proposes to supply the SEWPCC liquid oxygen from its NEWPCC plant.

On May 21, 1997 the contract for the supply and delivery of oxygen to the NEWPCC was extended and the addition of the SEWPCC LOX requirements were added to the agreement to December 31, 2009.

On May 1, 2003 the contract for the supply and delivery of oxygen was assigned to Praxair Canada Inc.

On December 8, 2008 the Acting Chief Administrative Officer concurred in the recommendation from the Director of Water and Waste that the Water and Waste Department be authorized to negotiate, without solicitation of competitive offers, an extension to the existing contract with Praxair Canada Inc. for the supply and delivery of oxygen to the North End Water Pollution Control Centre (NEWPCC) for the period from January 1, 2010 to December 31, 2014. The estimated value of the resultant contract, if approved, would be $9,000,000.00 plus GST and MRST as applicable.

On March 25, 2009 Council approved the award of the contract to Praxair Canada Inc. in the amount of $9,000,000.00 for the period from January 1, 2010 to December 31, 2014.

The work of this contract consists of the supply and delivery of oxygen for the wastewater treatment process at the NEWPCC and SEWPCC through an agreement. The original contract included the construction of a private oxygen production facility by the Contractor on land leased from the City of Winnipeg. The oxygen production facility remains the property of the Contractor.

The contract for the supply of oxygen expires on December 31, 2014 and another supply contract is required to supply oxygen for the next five years until the NEWPCC and SEWPCC capital upgrades are completed. The upgraded facilities will not require a dedicated oxygen supply source.

The following options were considered to secure supply of oxygen through 2019. Note the NEWPCC and SEWPCC will not be able to meet existing Environmental Act Licenses without a dedicated oxygen supply source.

1. Purchasing bulk liquid oxygen from the open market and trucking to the NEWPCC and SEWPCC.
2. Demolishing the existing oxygen plant and reconstructing a new facility onsite.
3. Negotiating an award extension to the existing contract with Praxair

Option 1 is not preferred because recent tender pricing to supply liquid oxygen to the Department's Water Treatment plant shows the average cost of oxygen would be approximately double the supply price proposed by Praxair.

Option 2 is not preferred because it is not practical to construct a new facility onsite and recover the capital investment before the new plant upgrades are complete.

Option 3 is the preferred option and the rates proposed by Praxair are favorable compared to other available options.

The Water and Waste Department intends to negotiate and award an extension to the existing contract with Praxair Canada Inc., for a five year term with an approximate value of $10,325,000.00, from January 1, 2015 to December 31, 2019, with $10,000,000.00 being dedicated to the NEWPCC requirements and $325,000.00 being dedicated to the SEWPCC LOX requirements. A further extension, if required would be subject to mutual agreement by both parties, and council approval.

Pretender Estimate: $10,325,000.00 plus GST and MRST as applicable.

Engineering staff of this Department are satisfied that the proposed Contractor has the necessary resources to perform all of the work in accordance with the requirements of the specifications. The proposed Contractor has satisfactorily carried out previous works of a similar nature for over 30 years.

FINANCIAL IMPACT

Financial Impact Statement

Date: June 20, 2014

Project Name: **First Year of Program** **2015**

APPROVAL OF SINGLE SOURCE NEGOTIATION AND AWARD OF CONTRACT FOR THE SUPPLY AND DELIVERY OF OXYGEN TO THE NEWPCC AND SEWPCC.
BID SOLICITATION NO. 824-2013

	2015	2016	2017	2018	2019
Capital					
Capital Expenditures Required	$ -	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	-	-	-	-	-
Additional Capital Budget Required	$ -	$ -	$ -	$ -	$ -
Funding Sources:					
Debt - Internal	$ -	$ -	$ -	$ -	$ -
Debt - External	-	-	-	-	-
Grants (Enter Description Here)	-	-	-	-	-
Reserves, Equity, Surplus	-	-	-	-	-
Other - Enter Description Here	-	-	-	-	-
Total Funding	$ -	$ -	$ -	$ -	$ -
Total Additional Capital Budget Required	$ -				
Total Additional Debt Required	$ -				
Current Expenditures/Revenues					
Direct Costs	$ 2,065,000	$ 2,065,000	$ 2,065,000	$ 2,065,000	$ 2,065,000
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 2,065,000	$ 2,065,000	$ 2,065,000	$ 2,065,000	$ 2,065,000
Less: Existing Budget Amounts	2,065,000	2,065,000	2,065,000	2,065,000	2,065,000
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The duration of this contract extension is for the period from January 1, 2015 to December 31, 2019 for the supply and delivery of oxygen to the North End Water Pollution Control Centre (NEWPCC) and the South End Water Pollution Control Centre (SEWPCC) on an “as required” basis. Funds for the Supply of Chemicals are included in the annual Current Budget identified as Sewage Disposal System – Interception and Treatment Regional Account Distribution No. 444-533020-201108 Class 999 (NEWPCC) and No. 444-533020-201109 Class 999 (SEWPCC).

"Original signed by M. L. Geer, C. A."
Moira L. Geer, C. A.
Manager of Finance and Administration

amc
11-Apr-14

CONSULTATION

In preparing this report there was consultation with:

Property Planning and Development Department, (as to property lease agreement issues)
Legal Services Department, (as to legal issues)

SUBMITTED BY

Wastewater Services Division
Prepared by: Dan DeCraene and Chris Carroll
Date: June 19, 2014
File No. S-763

c: Director of Legal Services/City Solicitor, Legal Services Department (email**)**
Manager of Materials, Corporate Finance Department (email)
J. Smalley, C.E.T., Water and Waste Department (email)
S. Cournoyer, P.Eng, Water and Waste Department (email)
L. Toews, Water and Waste Department (email)