Minute No. 169
Report – Standing Policy Committee on Infrastructure Renewal and Public Works – January 16, 2015

Item No. 8 **Single Source Authorization and Award of Contract for Shell Canada Limited and Shell Canada OP Inc. Dba Shell Canada Products ("Shell Canada Products") Works Associated with Pipeline Relocations for Plessis Road Twinning and Grade Separation at CN Redditt Subdivision**

COUNCIL DECISION:

Council concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and adopted the following:

1. That single source negotiations and award of contract to Shell Canada Limited and Shell Canada OP Inc. dba Shell Canada Products ("Shell Canada Products") in the estimated amount of $1,350,000.00 plus GST for administration, project management, engineering support, engaging subject matter experts and construction oversight for the relocation of their pipeline, be approved. In accordance with the Materials Management Policy B4(f) and the Agreement on Internal Trade (AIT) Appendix D (a) and (b), a single source/sole supplier procurement can be made to ensure compatibility with existing products, to recognize exclusive rights, and where there is an absence of competition for technical reasons.

2. That subject to the approval under Recommendation #1, authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the contract with Shell Canada Products in accordance with the terms and conditions set forth in this report and such other terms and conditions deemed necessary by the Director of Legal Services and City Solicitor to protect the interests of the City.

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

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DECISION MAKING HISTORY:

Moved by Councillor Lukes,

That the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works be adopted by consent.

Carried

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On January 21, 2015, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Infrastructure Renewal and Public Works and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On January 16, 2015, 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: **SINGLE SOURCE AUTHORIZATION AND AWARD OF CONTRACT FOR SHELL CANADA LIMITED AND SHELL CANADA OP INC. DBA SHELL CANADA PRODUCTS ("SHELL CANADA PRODUCTS") WORKS ASSOCIATED WITH PIPELINE RELOCATIONS FOR PLESSIS ROAD TWINNING AND GRADE SEPARATION AT CN REDDITT SUBDIVISION**

Critical Path: **Standing Policy Committee on Infrastructure Renewal and Public Works – Executive Policy Committee – Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
L. Deane, P. Eng.	B.W. Sacher, P. Eng.	M. Ruta	D. Joshi

RECOMMENDATIONS

1. That Council approve single source negotiations and award of contract to Shell Canada Limited and Shell Canada OP Inc. dba Shell Canada Products ("Shell Canada Products") in the estimated amount of $1,350,000.00 plus GST for administration, project management, engineering support, engaging subject matter experts and construction oversight for the relocation of their pipeline. In accordance with the Materials Management Policy B4(f) and the Agreement on Internal Trade (AIT) Appendix D (a) and (b), a single source/sole supplier procurement can be made to ensure compatibility with existing products, to recognize exclusive rights, and where there is an absence of competition for technical reasons.

2. That subject to the approval under Recommendation #1, authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the contract with Shell Canada Products in accordance with the terms and conditions set forth in this report and such other terms and conditions deemed necessary by the City Solicitor/Director of Legal Services to protect the interests of the City.

REASON FOR THE REPORT

Effective March 1, 2014, the Winnipeg Public Service began requesting Council approval for any new single source negotiations for contracts estimated to exceed $1 Million, except in the case of emergencies.

IMPLICATIONS OF THE RECOMMENDATIONS

The 2012 Capital Budget adopted by City Council on December 13, 2011, includes funding for the Plessis Road Twinning and Grade Separation at CN Rail in the amount of $77,000,000.00. The project includes financing from the Building Canada Fund (Federal Government; $25,000,000.00) and the Provincial Government ($25,000,000.00).

The financial status of the project is as follows:

Authorized Funding

Plessis Road Twinning and Grade Separation at CN Rail	$77,000,000.00
Less: Estimated Total Project Cost of Previous Awards	($74,362,994.18)
Total Amount Available for this Award of Contract	$2,637,005.82
Amount of this Award	$1,350,000.00
Contingencies	$67,500.00
Engineering Administration	$28,350.00
Interest Overhead	$9,940.00
Estimated Total Cost	**$1,455,790.00**
Remaining Plessis Road Twinning and Grade Separation at CN Rail	$1,181,215.82
Estimated Surplus	Nil

HISTORY

On July 11, 2012, the City of Winnipeg retained AECOM Canada Ltd. to undertake professional engineering consulting services for an underpass of the CNR Redditt Subdivision at Plessis Road and associated works. The consultant has identified the requirement to lower Shell Canada Products pipelines to accommodate the widening and grade separation of Plessis Road. In March 2014, a contract was awarded to PCL Constructors, for Plessis Road Twinning and Grade Separation at CN Redditt Subdivision: Plessis Road Reconstruction, Underpass Structures, Pumping Station, Land Drainage Sewer and Miscellaneous Underground and Landscaping Works pursuant to Bid Opportunity No. 712-2013. Subsequently a contract has been awarded to Flint Field Services Ltd. for Plessis Road Twinning and Grade Separation at CN Redditt Subdivision: Imperial Oil and Shell Canada Pipelines Relocation Works.

On December 10, 2014, Council approved single source negotiations and award of contract to Imperial Oil Limited in the estimated amount of $1,283,000.00 plus GST for purging and tie-ins of their pipeline, inspection during relocation works and verification of corrosion protection.

On April 12, 2013, the Manager of Materials approved the single source negotiation and award of contract to Shell Canada Products in the amount of $86,250.00 for design works associated with the Plessis Road Twinning and Grade Separation at CN Redditt Subdivision.

The City has negotiated and entered into an agreement with Shell Canada Products for the relocation of their pipeline. Under the terms of the agreement Shell Canada Products authorized the City to relocate Shell's pipeline to accommodate the PLESSIS ROAD TWINNING AND GRADE SEPARATION AT CN REDDITT SUBDIVISION Project. The City is responsible for executing the work of the pipeline relocation. Shell Canada Products is responsible for its related administration, project management, engineering support, engaging subject matter experts and construction oversight for the relocation of their pipeline, at the City's expense. Shell Canada Products will be responsible for submitting detailed invoices for the expenses it incurs for those services for the City's review, approval and reimbursement. The agreement includes a financial penalty to the City in the event that as a result of the pipeline relocation work, Shell's pipeline is out of service for more than 10 days

The Materials Management Policy provides at B4 (f) that single source negotiations may be authorized where appropriate/necessary and that the compatibility of a supply with existing

property or services is the paramount consideration and that supply is available only from a single supplier.

The Agreement of Internal Trade is applicable to this procurement because of the estimated value of the contract. There is an absence of competition for this work for technical reasons related to the ownership and control of the pipelines, and the owner's requirements for compatibility with their pipeline systems. The Agreement on Internal Trade (AIT) in sections (a) and (b) of Appendix D, provides that a sole supplier procurement can be made to ensure compatibility with existing products, to recognize exclusive rights, and where there is an absence of completion for technical reasons.

The Public Works Department will work with Legal Services to determine the contract format and the terms and conditions for the contract, if approved.

The Department Controller has confirmed that the funds are approved and available.

The Engineering staff of the Department and the Engineering Consultant have the opinion that Shell Canada Products has the necessary experience and resources to perform all the work in accordance with the requirements of the project and that the contract amount of $1,350,000.00 plus GST is fair and appropriate reimbursement to Shell Canada Products for their work.

FINANCIAL IMPACT

Financial Impact Statement

Date: December 18, 2014

Project Name: **First Year of Program** **2014**

SINGLE SOURCE AUTHORIZATION AND AWARD OF CONTRACT FOR SHELL CANADA LIMITED AND SHELL CANADA OP INC. DBA SHELL CANADA PRODUCTS ("SHELL CANADA PRODUCTS") WORKS ASSOCIATED WITH PIPELINE RELOCATIONS FOR PLESSIS ROAD TWINNING AND GRADE SEPARATION AT CN REDDITT SUBDIVISION

	2014	2015	2016	2017	2018
Capital					
Capital Expenditures Required	$ 1,455,790	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	1,455,790	-	-	-	-
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	$ -	$ 33,895	$ 33,895	$ 33,895	$ 33,895
Less: Incremental Revenue/Recovery	38,290	-	-	-	-
Net Cost/(Benefit)	$ (38,290)	$ 33,895	$ 33,895	$ 33,895	$ 33,895
Less: Existing Budget Amounts	(38,290)	33,895	33,895	33,895	33,895
Net Budget Adjustment Required	$ -	$ (0)	$ (0)	$ (0)	$ (0)

Additional Comments: The total estimated costs of $1,455,790.00 will be funded by the Public Works Capital Project #1803000112-Plessis Road Twinning and Grade Separation at CN Rail. Recoveries represent the Public Works Department Engineering Administration and the Corporate Interest Overheads. Direct Costs represent the Debt and Finance charges applicable to the External Debt funding.
The current forecasted expenditures for this project identify that the project will be completed at $81.3 million, exceeding the $77 million capital budget adopted by council. In addition, as indicated in Financial Status Report No. 8 for this project for the period ending September 30, 2014, it identifies under the Risks and Risk Mitigation Strategies that estimated ineligible costs for the agreement with the Government of Canada are $6.6 million and the estimated ineligible costs for the agreement with the Province of Manitoba are $5.73 million. The total estimate of ineligible amounts and the increased forecasted expenditures will increase the City's required funding to $31.4 million for an increase of $4.4 million to the previously approved $27 million. The $77 million adopted budget for this project does not include any funding that will be received for the railway's share of the project costs which will be determined by a ruling of the Canadian Transportation Agency upon project completion.

"Original signed by D. Stewart, CA"
D. Stewart, CA
Manager of Finance and Administration

CONSULTATION

In preparing this report there was consultation with:

- **Legal Services Department (as to legal issues)**
- **Materials Management Division, Corporate Finance Department**

SUBMITTED BY

Department:	Public Works
Division:	Engineering
Prepared by:	B. S. Kibbins, P. Eng.
Processed by:	J. Curti
Date:	December 12, 2014
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