Agenda – Executive Policy Committee – February 3, 2016

REPORTS

Item No. 1 Single Source Negotiation for Manitoba Hydro works associated with the South End Sewage Treatment Plant (SEWPCC) Nutrient Removal/Expansion Project – Materials Management Reference No. 1089-2015

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Executive Policy Committee (EPC) approve a single source negotiation with Manitoba Hydro in an amount not to exceed $1,827,280.00 plus applicable MRST and GST, for the provision of two Manitoba Hydro line extensions to the SEWPCC. Pursuant to B4.1 (a) of the Materials Management Policy, the supplier has an exclusive statutory right to make the requisite supply. There are equivalent provisions in Appendix D of the Agreement on Internal Trade.

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

ADMINISTRATIVE REPORT

Title: **SINGLE SOURCE NEGOTIATION FOR MANITOBA HYDRO WORKS ASSOCIATED WITH THE SOUTH END SEWAGE TREATMENT PLANT (SEWPCC) NUTRIENT REMOVAL/EXPANSION PROJECT MATERIALS MANAGEMENT REFERENCE NO. 1089-2015**

Critical Path: **Executive Policy Committee**

AUTHORIZATION

Author	Department Head	CFO	CAO/COO
G. K. Patton, P. Eng. Manager Engineering Services	M. L. Geer, CPA, CA Acting Director, Water and Waste Department	Mike Ruta	Doug McNeil

RECOMMENDATIONS

1. That the Executive Policy Committee (EPC) approve a single source negotiation with Manitoba Hydro in an amount not to exceed $1,827,280.00 plus applicable MRST and GST, for the provision of two Manitoba Hydro line extensions to the SEWPCC. Pursuant to B4.1 (a) of the Materials Management Policy, the supplier has an exclusive statutory right to make the requisite supply. There are equivalent provisions in Appendix D of the Agreement on Internal Trade.

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

REASON FOR THE REPORT

As the estimated amount of the contract to be awarded, if single source negotiations are successful is expected to exceed $1,000,000, Executive Policy committee has delegated authority to approve the single source negotiations under the Materials Management Policy.

EXECUTIVE SUMMARY

This report is for approval of a single source negotiation with Manitoba Hydro to construct two hydro line extensions to supply electrical power for the upgraded SEWPCC. This cost is budgeted for from the 2007-2015 Capital Budget for SEWPCC Nutrient Removal/Expansion.

IMPLICATIONS OF THE RECOMMENDATIONS

Funds in the amount of $335,600,000.00 are included in the 2007-2015 Capital Budget for SEWPCC Nutrient Removal/Expansion, Account Distribution No. 444 181000 200752 203210002B.

HISTORY / DISCUSSION

The project design consultant for the South End Sewage Treatment Plant (SEWPCC) Nutrient Removal /Expansion Project has identified increased electrical power demand required by the upgraded/expanded facility.

On November 14, 2014 the Acting Director of Water and Waste approved Single Source Negotiations and Award of Contract for Professional Consulting Services for Load Interconnection Facilities Study for the SEWPCC, Bid Solicitation No. 1067-2014. The work consisted of Manitoba Hydro's engineering department undertaking a study to assess the adequacy of the Manitoba Hydro system (System) and the impact on any other affected parties to determine the work that would be necessary in order to accommodate the identified increase in electrical power demand.

On June 2, 2015 Manitoba Hydro issued the Load Interconnection Study Report on the SEWPCC. The report identified that:

- the power demand can be supplied from their St. Vital Line 8 and Laverendrye Line 33 during normal system conditions;
- both lines will be required to be extended to serve SEWPCC; and
- the customer will be required to fund the cost of those upgrades. A 51% Customer Preferred Service Premium (CPSP) has been applied to the secondary service and a second meter. The cost of the metering equipment for the primary service is not included and will be funded by Manitoba Hydro. These figures are good faith estimates; the Customer contribution will be based on actual costs.

Manitoba Hydro has identified the cost breakdown in Table 1 to extend the two 66 kV supplies to serve SEWPCC. The estimate accuracy was identified as +/- 10%.

Table 1	
Description	**Estimated Cost**
66 kV Service supplied by Line 33 from Laverendrye Station (primary service)	$ 363,370
66 kV Service supplied by Line 8 from St. Vital (secondary service)	$ 993,345
Purchase of metering equipment for second service	$ 112,000
Escalation[1]	$ 192,449
Total Estimated Cost, MRST and GST extra	$1,661,164

[1] As per Manitoba Hydro email correspondence dated November 4, 2015

Manitoba Hydro has the exclusive statutory right to supply the services required for these works and as such a cost/benefit analysis is not applicable.

This procurement is subject to the Agreement on Internal Trade (AIT) which permits Sole Supplies Procurement in circumstances: for the procurement of goods or services the supply of which is controlled by a supplier that is a statutory monopoly [Appendix D(c)].

The Manitoba Hydro estimated costs are non-binding and provided by them for budgetary purposes. The Department recommends that the single source negotiation and award approval amount include 10% contingency allowance. The resultant recommendation value is $1,827,280.00, MRST and GST extra.

A separate award report will follow for CFO approval of the above noted work, subject to Executive Policy Committee approval of Recommendations 1 and 2.

The financial status of the SEWPCC – Nutrient Removal/Expansion Project is as follows:

Authorized Capital		$335,600,000.00
Amount of Previous Awards or Expenditures	$93,338,335.56	
Amount of this future Award (excl. MRST)	$ 1,827,280.00	
Total Estimated Cost	$95,165,615.56	$ 95,165,615.56
Estimated Residual for Remaining Projects		$240,434,384.44

FINANCIAL IMPACT

Financial Impact Statement

Date: December 14, 2015

Project Name: **First Year of Program** **2017**

SINGLE SOURCE NEGOTIATION FOR MANITOBA HYDRO WORKS ASSOCIATED WITH THE SOUTH END SEWAGE TREATMENT PLANT (SEWPCC) NUTRIENT REMOVAL /EXPANSION PROJECT

MATERIALS MANAGEMENT REFERENCE NO. 1089-2015

	2017	2018	2019	2020	2021
Capital					
Capital Expenditures Required	$ 1,827,280	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	1,827,280	-	-	-	-
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	$ -	$ -	$ -	$ -	$ -
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ -	$ -	$ -	$ -	$ -
Less: Existing Budget Amounts	-	-	-	-	-
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: This amount is estimated based on costs from Manitoba Hydro. Funds for this future project are included in the approved Capital Budget for SEWPCC Nutrient Removal/Expansion, Account Distribution No. 444 181000 200752 203210002B. The work will be financed by Retained Earnings.

"Original signed by L. Szkwarek, CPA, CGA"

Lucy Szkwarek, CPA, CGA

Acting Manager of Finance and Administration

js

19-Nov-15

CONSULTATION

In preparing this report there was consultation with:

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

OURWINNIPEG POLICY ALIGNMENT

The SEWPCC Nutrient Removal/Expansion will reduce the environmental impact of our citizens on the Red River and the downstream lakes and rivers. It is in collaboration with the Regulatory Licence requirements issued by the Province of Manitoba.

The work of this contract is part of the SEWPCC Nutrient Removal/Expansion.

OurWinnipeg Reference: Section 02-2 Environment

SUBMITTED BY

Department: Water and Waste Department
Division: Engineering Services
Prepared by: Neil Harrington, P. Eng.
Date: December 16 2015
File No.: S-926-1089-2015