Agenda – Executive Policy Committee – February 13, 2018

REPORTS

Item No. 9 Single Source Negotiation for Manitoba Hydro Works associated with the North End Sewage Treatment Plant (NEWPCC) Biological Nutrient Removal Upgrade Project
Materials Management Reference No. 42-2018

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

1. That the Executive Policy Committee (EPC) approve a single source negotiation with Manitoba Hydro in an estimated amount of $2,531,527.00, GST and MRST extra as applicable, for the provision of two 66 kV line interconnections for a new substation as well as one new 66 kV Manitoba Hydro feeder line for the North End Sewage Treatment Plant (NEWPCC).

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 NORTH END SEWAGE TREATMENT PLANT (NEWPCC) BIOLOGICAL NUTRIENT REMOVAL UPGRADE PROJECT MATERIALS MANAGEMENT REFERENCE NO. 42-2018**

Critical Path: **Executive Policy Committee**

AUTHORIZATION

Author	Department Head	A/CFO	A/CAO
G. K. Patton, P. Eng. Manager Engineering Services	M. L. Geer, CPA, CA, Director, Water and Waste Department	B. Holsten-Boyer	D. Wardrop

EXECUTIVE SUMMARY

This report is for approval of a single source negotiation with Manitoba Hydro for the provision of two 66 kV line interconnections for a new substation as well as one new 66 kV Manitoba Hydro feeder line for the North End Sewage Treatment Plant (NEWPCC). 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.

RECOMMENDATIONS

1. That the Executive Policy Committee (EPC) approve a single source negotiation with Manitoba Hydro in an estimated amount of $2,531,527.00, GST and MRST extra as applicable, for the provision of two 66 kV line interconnections for a new substation as well as one new 66 kV Manitoba Hydro feeder line for the North End Sewage Treatment Plant (NEWPCC).

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 the delegated authority to approve the single source negotiations under the Materials Management Policy.

IMPLICATIONS OF THE RECOMMENDATIONS

Funds in the amount of $795,589,958.00 are included in the 2004-2017 Capital Budgets for North End Sewage Treatment Plant (NEWPCC) – Nutrient Removal/Upgrade, Account Distribution No. 444 181000 200752 203110013B.

HISTORY / DISCUSSION

The Work of this contract consists of the design and construction of a new electrical service for the NEWPCC Facility in preparation for the increased electrical loads required by the Nutrient Removal Upgrade Project.

On October 12, 2016 the Executive Policy Committee approved Single Source Negotiations and Award of Contract for Professional Consulting Services for a Load Interconnection Facilities Study for the NEWPCC, Bid Solicitation No. 773-2016. The work consisted of Manitoba Hydro's engineering department undertaking a study to assess the adequacy of the Manitoba Hydro 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 November 28, 2017 Manitoba Hydro issued the Load Interconnection Facility Study on the NEWPCC. The report identified that:

- Due to the increased load at NEWPCC, Manitoba Hydro will need to improve the supply to NEWPCC from 12.47 kV to 66 kV. This increase will require the installation of two 66 kV line interconnections for a new substation.

- Due to the City installing a new, City-owned substation, Manitoba Hydro will salvage the existing Manitoba Hydro-owned transformers and equipment in the substation and remediate it at their cost.

- Due to the City requiring a load increase in available power from 13.4 MVA to 21 MVA, Manitoba Hydro will need to install 5.0 km of 336 ASC 66 kV for new Line R82 and the associated breaker and termination for new Line R82 at Rosser Station.

Manitoba Hydro (MH) has identified the cost breakdown in Table 1 to complete the required Work for the NEWPCC Power Supply Project.

Table 1	**Estimated Cost**
Stage 1 • Install 0.1 km tap off of 66 kV Line R83 complete with three 66 kV switches and metering structure • Install 0.1 km tap off of 66 kV Line R84 complete with 66 kV switch and metering structure	$ 472,136
Salvage the NEWPCC transformer substation and new metering eqpt	Funded by MH
Manitoba Hydro class of estimate for this type of project is +/-10%	$ 47,214
Cost escalation for construction in approximately 2019 at 5% per year: 10%	$ 51,935
Subtotal	**$ 571,285**
Stage 2	
• Install 5.0 km of 336 ASC 66 kV new Line R82 • Install 66 kV breaker and termination for new Line R82 at Rosser Station	$1,030,486
Manitoba Hydro class of estimate for this type of project is +/-10%	$ 103,049
Cost escalation for construction in approximately 2021 at 5% per year: 20%	$ 226,707
Subtotal	**$1,360,242**
Contingency amount for additional Manitoba Hydro costs associated with Design Builder's design and implementation plan for a temporary substation	**$ 600,000**
Total Estimated Cost, MRST and GST extra as applicable	**$2,531,527**

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.

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 and an escalation allowance of 5% per year as detailed in Table 1. The resultant recommendation value is $2,531,527, GST and MRST extra as applicable.

The project will take place in two stages. Stage 1 involves the salvage of the existing NEWPCC transformer substation and the provision of two 66 kV line interconnections for a new substation. The estimated in-service date for Stage 1 is August 31, 2019 to align with the Design Builder's schedule for the NEWPCC Power Supply Upgrade Project. Stage 2 involves a load increase for the future NEWPCC Upgrades from 13.4 MVA to 21 MVA. The estimated in-service date for this required load increase is approximately December 31, 2021.

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 North End Sewage Treatment Plant (NEWPCC) – Nutrient Removal/Upgrade Project is as follows:

Authorized Capital		$795,589,958.00
Amount of Previous Awards or Expenditures	$88,219,856.78	
Amount of this future Award (excl. MRST)	$ 2,531,527.00	
Total Estimated Cost	$90,751,383.78	$ 90,751,383.78
Estimated Residual for Remaining Projects		$704,838,574.22

There is no MRST expected for this work as Manitoba Hydro will maintain ownership of the assets once the line extensions have been constructed.

Section B4.1(a) of the Materials Management Policy permits single source negotiations and award of contract in certain situations. It reads:

> "Subject to B8, a supply to be made to the City may be negotiated without the solicitation of competitive offers where the Chief Administrative Officer determines that, it is in the best interest of the City, appropriate/necessary, and that:
>
> (a): the supplier has an exclusive statutory right to make the requisite supply."

The value of this procurement means it is subject to the Canadian Free Trade Agreement (2017) ("CFTA"), Article 513 (1) (b) (iv) of which provides an equivalent exception for single source (called 'limited tendering' in the CFTA) to B4.1(a) of the Materials Management Policy. CFTA Article 513 (1) (b) (iv) reads:

> Subject to paragraphs 2 and 3, and provided that it does not use this provision for the purpose of avoiding competition among suppliers or in a manner that discriminates against suppliers of any other Party or protects its own suppliers, a procuring entity may use limited tendering in the following circumstances:
>
> (b) if the goods or services can be supplied only by a particular supplier and no reasonable alternative or substitute goods or services exist for any of the following reasons:
>
> (iv) the supply of goods or services is controlled by a supplier that is a statutory monopoly.

The value of this procurement does not place it above the threshold for application of the Comprehensive Economic and Trade Agreement between Canada and the European Union and its Member States, done at Brussels on October 30, 2016 ("CETA").

FINANCIAL IMPACT

Financial Impact Statement

Date: January 16, 2018

Project Name:

First Year of Program **2018**

SINGLE SOURCE NEGOTIATION FOR MANITOBA HYDRO WORKS ASSOCIATED WITH THE NORTH END SEWAGE TREATMENT PLANT (NEWPCC) BIOLOGICAL NUTRIENT REMOVAL UPGRADE PROJECT, MATERIALS MANAGEMENT REFERENCE NO. 42-2018

	2018	2019	2020	2021	2022
Capital					
Capital Expenditures Required	$ 2,531,527	$ -	$ -	$ -	$ -
Less: Existing Budgeted Costs	2,531,527	-	-	-	-
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: Funds for this project are included in the approved Capital Budgets for North End Sewage Treatment Plant (NEWPCC) – Nutrient Removal/Upgrade, Account Distribution No. 444 181000 200752 203110013B. This project is financed by the Environmental Projects Reserve, and Retained Earnings. WSTP projects are exempt from Corporate Interest and Administration charges.

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

Lucy Szkwarek, CPA, CGA
Manager of Finance and Administration

js
15-Jan-18

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 NEWPCC Nutrient Removal/Expansion will reduce the environmental impact of our citizens on the Red River and the downstream lakes and rivers. The work is in response to the Regulatory Licence requirements issued by the Province of Manitoba.

The work of this contract is part of the NEWPCC Nutrient Removal/Upgrade.

OurWinnipeg Reference: Section 02-2 Environment

SUBMITTED BY

Department: Water and Waste
Division: Engineering Services
Prepared by: Erica Campbell, C.E.T.
Date: January 17, 2018
File No.: S-961