Agenda – Council – December 13, 2018

Report – Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – November 22, 2018

Item No. 2 Single Source Negotiation and Award of Contract for Manitoba Hydro Power Supply Agreement associated with the North End Sewage Treatment Plant Biological Nutrient Removal Upgrade Project

STANDING COMMITTEE RECOMMENDATION:

On December 5, 2018, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment and submitted the following to Council:

1. That a Single Source Negotiation be approved and that the City award, enter into, execute and deliver, a Power Supply Agreement with Manitoba Hydro for the supply of power to NEWPCC for the period of one year from January 1, 2019, to December 31, 2019, and continuing on a month to month basis with the option to terminate upon 60 days written notice thereafter, in the estimated annual amount of $3,000,000.00, and such other agreements as determined necessary by the Director of Legal Services and City Solicitor to implement the intent of the foregoing (the "Ancillary Agreements").

2. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Power Supply Agreement with Manitoba Hydro for the supply of power to NEWPCC and the Ancillary Agreements, in accordance with 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 authority be delegated to the Chief Administrative Officer to approve single source negotiations and to negotiate and approve the terms and conditions of future Power Supply Agreements with Manitoba Hydro for all other City of Winnipeg owned facilities, which are substantially the same, which do not exceed the term of five years, where the estimated annual value of the contract does not exceed $5,000,000.00, in accordance with 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.

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

Report – Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – November 22, 2018

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On December 5, 2018, the Executive Policy Committee concurred in the recommendation of the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment and submitted the matter to Council.

STANDING COMMITTEE RECOMMENDATION:

On November 22, 2018, the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment 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 NEGOTIATION AND AWARD OF CONTRACT FOR MANITOBA HYDRO POWER SUPPLY AGREEMENT ASSOCIATED WITH THE NORTH END SEWAGE TREATMENT PLANT (NEWPCC) BIOLOGICAL NUTRIENT REMOVAL UPGRADE PROJECT MATERIALS MANAGEMENT REFERENCE NO. 979-2018**

Critical Path: **The Standing Policy Committee on Water and Waste, Riverbank Management and the Environment - Executive Policy Committee - Council**

AUTHORIZATION

Author	Department Head	CFO	CAO
C. W. Carroll, MBA, P. Eng., Manager Wastewater Services, G. K. Patton, P. Eng., Manager Engineering Services	T. W. Shanks, M. Eng., P. Eng., Acting Director, Water and Waste Department	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

As Manitoba Hydro holds a statutory monopoly on the supply of electricity in the Province of Manitoba, the Public Service is requesting approval of a Single Source Negotiation and Award of Contract for Material Management Reference No. 979-2018, to Manitoba Hydro for a Power Supply Agreement associated with the North End Sewage Treatment Plant (NEWPCC) Biological Nutrient Removal Upgrade project. This service is to be financed from each year's approved annual Current Budget for Sewage Disposal System Fund – Light and Power.

The recommendations of this report are compliant with the Materials Management Policy and applicable trade agreements. Further details are provided in the History/Discussion Section.

RECOMMENDATIONS

1. That a Single Source Negotiation be approved and that the City award, enter into, execute and deliver, a Power Supply Agreement with Manitoba Hydro for the supply of power to NEWPCC for the period of one year from January 1, 2019,

to December 31, 2019, and continuing on a month to month basis with the option to terminate upon 60 days written notice thereafter, in the estimated annual amount of $3,000,000.00, and such other agreements as determined necessary by the City Solicitor / Director of Legal Services to implement the intent of the foregoing (the “Ancillary Agreements”).

2. That authority be delegated to the Chief Administrative Officer to negotiate and approve the terms and conditions of the Power Supply Agreement with Manitoba Hydro for the supply of power to NEWPCC and the Ancillary Agreements**,** in accordance with 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.

3. That authority be delegated to the Chief Administrative Officer to approve single source negotiations and to negotiate and approve the terms and conditions of future Power Supply Agreements with Manitoba Hydro for all other City of Winnipeg owned facilities, which are substantially the same, which do not exceed the term of five years, where the estimated annual value of the contract does not exceed $5,000,000.00, in accordance with 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.

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

REASON FOR THE REPORT

As the total conditional amount to be paid by the City pursuant to the contract to Manitoba Hydro affects yearly budgets not yet approved by Council, Council approval is required. As per Section 288(2) of the City of Winnipeg Charter, and in accordance with Section B8.2.2 of the City of Winnipeg Materials Management Policy, Council has the authority to authorize expenditures before the operating or capital budget of a fiscal year is adopted.

IMPLICATIONS OF THE RECOMMENDATIONS

Funding for this service will be made available from each year’s annual Current Budget – Sewage Disposal System Fund – Light and Power – Account Distribution No. 444 524020 201108 999.

This budget is not yet approved by Council for years 2019 and beyond, but it is anticipated that the above budget will provide adequate funding for this Manitoba Hydro Power Supply Agreement.

HISTORY / DISCUSSION

Manitoba Hydro has a requirement to supply a large quantity of power for the operation of the NEWPCC facility. Manitoba Hydro's policy is to provide services to site contingent upon the customer guaranteeing power usage quantities. This means that Manitoba Hydro will pay the capital cost to design and construct the distribution lines to the site and into the site contingent upon projected power volumes being realized. The power usage quantities as part of this agreement are consistent with current plant usage. Power usage with respect to the upgrade will be addressed in a future Power Supply Agreement.

As part of the NEWPCC Power Supply Upgrade Project, the City of Winnipeg is changing two Manitoba Hydro-owned transformers to two City-owned transformers, and therefore the rates for power will be reduced. This rate reduction is anticipated to save the City of Winnipeg on average $250,000.00 per year. The power rates that apply to the monthly invoice are set by the Public Utilities Board of Manitoba and are non-negotiable.

The Power Supply Agreement with Manitoba Hydro agrees to, on a per month basis, for the supply of up to, but not more than, 13,400 kilovolt-amperes (kVa) of demand power and associated energy kilowatt hour (kWh) to be used for the operation of the NEWPCC located at 2230 Main Street, Winnipeg at an Energy Charge of $0.03550 per kWh and a Demand Charge of $7.56 per kVA of the monthly billing demand.

As Manitoba Hydro holds a statutory monopoly on the supply of electricity in the Province of Manitoba, single source negotiations for the Manitoba Hydro Power Supply Agreements are permitted pursuant to B4.1(a) of the Materials Management Policy. Similar exceptions to justify this single source under the applicable trade agreements are found in Article 513 (1) (b) (iv) of the *Canadian Free Trade Agreement* (2017) ("CFTA"), and Article 19.12 (1) (b) (ii) of the *Comprehensive Economic and Trade Agreement* (2016) ("CETA").

Services will not commence prior to the award of contract.

FINANCIAL IMPACT

Financial Impact Statement

Date: October 12, 2018

Project Name:

First Year of Program **2019**

SINGLE SOURCE NEGOTIATION AND AWARD OF CONTRACT FOR MANITOBA HYDRO POWER SUPPLY AGREEMENT ASSOCIATED WITH THE NORTH END SEWAGE TREATMENT PLANT (NEWPCC) BIOLOGICAL NUTRIENT REMOVAL UPGRADE PROJECT
MATERIALS MANAGEMENT REFERENCE NO. 979-2018

	2019	2020	2021	2022	2023
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	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000	$ 3,000,000
Less: Existing Budget Amounts	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: Funding for this service will be made available from each year's annual Current Budget – Sewage Disposal System Fund – Light and Power – Account Distribution No. 444 524020 201108 999.

"Original signed by L. Szkwarek, CPA, CGA"
Lucy Szkwarek, CPA, CGA
Manager of Finance and Administration

bah
10-Oct-18

CONSULTATION

In preparing this report there was consultation with:

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

OURWINNIPEG POLICY ALIGNMENT

This report is in accordance with OurWinnipeg policies through Section 02-2 Environment

OurWinnipeg Reference: Sustainable Water and Waste Direction Strategy – 04 Wastewater System

The NEWPCC Nutrient Removal/Upgrade 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.

SUBMITTED BY

Department: Water and Waste
Division: Engineering Services
Prepared by: Lana Obach, P. Eng., MASc., PMP
Date: October 12, 2018