Agenda – Council – April 25, 2019

Report – Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – April 3, 2019

Item No. 1 Single Source Negotiation and Award of Contract for Lease of Liquid Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen

STANDING COMMITTEE RECOMMENDATION:

On April 16, 2019, 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 Council approve a Single Source Negotiation and that the City award, enter into, execute and deliver a contract with Air Liquide Canada Inc. for the Lease of Liquid Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen to the WTP for a five year period from July 21, 2019 to July 20, 2024 for an estimated annual amount of $400,000.00 and total estimated cost of $2,000,00.00, 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 Lease of Liquid Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen to the WTP 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 the Winnipeg Public Service report back to the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment in 2020 with respect to the procurement of future contracts.

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

Report – Standing Policy Committee on Water and Waste, Riverbank Management and the Environment – April 3, 2019

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

On April 16, 2019, 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 April 3, 2018, the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment concurred in the recommendation of the Winnipeg Public Service, with the following amendments:

- Add the following new recommendation:

  "3. That the Winnipeg Public Service report back to the Standing Policy Committee on Water and Waste, Riverbank Management and the Environment in 2020 with respect to the procurement of future contracts",

- Renumber the remaining recommendation,

and submitted the matter to the Executive Policy Committee and Council.

ADMINISTRATIVE REPORT

Title: **SINGLE SOURCE NEGOTIATION AND AWARD OF CONTRACT FOR LEASE OF LIQUID OXYGEN STORAGE EQUIPMENT AND SUPPLY AND DELIVERY OF LIQUID OXYGEN**
MATERIALS MANAGEMENT REFERENCE NO. 87-2019

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

AUTHORIZATION

Author	Department Head	CFO	CAO
T. W. Shanks, M. Eng., P. Eng., Manager of Water Services	M. L. Geer, CPA, CA, Director, Water and Waste Department	M. Ruta	D. McNeil

EXECUTIVE SUMMARY

This report is for the approval of single source negotiation and award for a second five year contract extension to Air Liquide Canada Inc. for Lease of Liquid Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen to the Water Treatment Plant (WTP). The procurement is through the Single Source Negotiation and Award process. This project is financed from the approved annual Current Budget for Water Treatment Chemicals.

Liquid oxygen is supplied to the WTP from an onsite storage facility that is leased from the liquid oxygen supplier, as established by the initial supply contract when the WTP was constructed. The original five year supply contract (Bid Opportunity 921-2007) was extended an additional five years and will end in July 2019.

Awarding a new contract to a different supplier would require the bidder to design and construct a new storage facility on the WTP site. This would not only be an additional cost to the new supplier, but would not be practically achievable before the existing contract ends.

Extending the current supply contract minimizes the financial risk, as the supplier's proposal maintains the price for the facility lease and the unit price for liquid oxygen at 2011 prices, as has been the case over the life of the contract.

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 Council approve a Single Source Negotiation and that the City award, enter into, execute and deliver a contract with Air Liquide Canada Inc. for the Lease of Liquid Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen to the WTP for a five year period from July 21, 2019 to July 20, 2024 for an estimated annual amount of $400,000.00 and total estimated cost of $2,000,00.00, 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 Lease of Liquid Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen to the WTP 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 the Proper Officers of the City of Winnipeg be authorized to do all things necessary to implement the intent of the foregoing.

REASON FOR THE REPORT

As the total conditional amount to be paid by the City pursuant to the contract to Air Liquide Canada Inc. 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 operating or capital budget of a fiscal year is adopted.

Council has the authority to approve single source negotiations.

IMPLICATIONS OF THE RECOMMENDATIONS

The duration of this contract extension is for the period from July 21, 2019 to July 20, 2024 for the Lease of Liquid Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen to the WTP.

The Lease of Liquid Oxygen Storage Equipment is an absolute commitment for the duration of the contract extension; the Supply and Delivery of Liquid Oxygen is on an “as required” basis.

Funding for this Contract will be made available from each year’s approved annual Current Budget – Water Treatment – Chemicals – Account Distribution number 443 533020 201218 999.

HISTORY / DISCUSSION

The work of this contract consists of the Lease of Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen. Liquid oxygen is required for the generation of ozone for water treatment at the Water Treatment Plant primarily to oxidize taste and odour compounds, enhance filter performance and facilitate biological filtration of natural organic matter (NOM) and disinfection by-product precursors.

The supply of liquid oxygen is on as-required basis with no absolute commitment except for the leasing of the storage equipment.

The original Bid Opportunity for this work was 135-2007. Due to non-responsive issues of the two bidders, Air Liquide Canada Inc. and Praxair Canada Inc. Bid Opportunity 135-2007 was not awarded. Subsequently, Bid Opportunity 921-2007 was single sourced to Air Liquide Canada Inc. A Contract between the City of Winnipeg and Air Liquide Canada Inc. was signed for the work on February 17, 2009.

As per Clause B6 of the Contract, on October 23, 2013 an e-mail was sent to the contractor by the contract administrator requesting to exercise a five (5) year contract extension subject to the renegotiation of the Product Price and Monthly Facility Charge outlined in Schedule A of the Contract.

On November 7, 2013, the contractor, Air Liquide Canada Inc., replied and agreed to the five year contract extension of Bid Opportunity No. 921-2007 (Contract Number 2045) for the period of July 21, 2014 until July 20, 2019 with small adjustments to Schedule A of the Contract.

On February 21, 2014, the Director of the Water and Waste Department approved an Award of Contract Extension No. 1 of Bid Opportunity No. 921-2007 (Contract Number 2045) for the period of July 21, 2014 until July 20, 2019.

The contract for the Lease of Liquid Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen to the water treatment plant expires on July 20, 2019 and another five year contract is required.

On November 30, 2018 an e-mail was sent from the contract administrator to Air Liquide Canada Inc. requesting a proposal for a contract extension. On January 9, 2019 Air Liquide Canada Inc. responded indicating interest in extending the contract for a second five year period, and submitted a draft Supplemental Agreement to the City of Winnipeg / Air Liquide Canada Inc. contract dated February 17, 2009 with input pricing modifications. Although indices for Power, Labour and Transportation have been adjusted, the current price for oxygen at $0.4385/Sm3 has remained stable since the first day of the contract. There was no change to the monthly oxygen storage equipment lease cost.

This single source procurement for the Lease of Liquid Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen is within the applicable trade agreements, excerpted below:

This procurement is subject to the New West Partnership Agreement (“NWPTA”), which incorporates the requirements of the Canadian Free Trade Agreement (“CFTA”) and the Comprehensive Economic and Trade Agreement (“CETA”). Article 2 (g) of Section C, Part V of NWPTA states that single source procurement may be used where it can be demonstrated that only one supplier is able to meet the requirements of a procurement. Air Liquide Canada Inc. is the only supplier that can satisfy the requirements of the procurement, as it owns the liquid oxygen storage facility currently in the water treatment plant pursuant to Bid Opportunity No. 921-2007 (Contract Number 2045). If any other supplier were selected the liquid oxygen storage facility would need to be removed or demolished, necessitating a new design and build storage site which would interrupt the Ozone water treatment process for a number of months due to the size, and interconnectivity of the liquid oxygen storage facility with the water treatment plant.

The Contract Administrator is satisfied that the recommended Contractor has the necessary experience and resources to perform the work of the contract satisfactorily and has satisfactorily performed the work since the beginning of the contract in accordance with the requirements of the Contract.

The public service will look at future procurement options before the end of this recommended contract.

FINANCIAL IMPACT

Financial Impact Statement

Date: January 24, 2019

Project Name: **First Year of Program** **2019**

SINGLE SOURCE NEGOTIATION AND AWARD OF CONTRACT FOR LEASE OF LIQUID OXYGEN STORAGE EQUIPMENT AND SUPPLY AND DELIVERY OF LIQUID OXYGEN
MATERIALS MANAGEMENT REFERENCE NO. 87-2019

	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	$ 200,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000
Less: Incremental Revenue/Recovery	-	-	-	-	-
Net Cost/(Benefit)	$ 200,000	$ 400,000	$ 400,000	$ 400,000	$ 400,000
Less: Existing Budget Amounts	200,000	400,000	400,000	400,000	400,000
Net Budget Adjustment Required	$ -	$ -	$ -	$ -	$ -

Additional Comments: The duration of this contract extension is for the period from July 21, 2019 to July 20, 2024 for the Lease of Liquid Oxygen Storage Equipment and Supply and Delivery of Liquid Oxygen to the WTP on "as required" basis. Funding for this project is available from the annual Current Budget – Water Treatment - Chemicals – Account Distribution number 443 533020 201218 999. Subject to annual price adjustments as per Second Supplemental Agreement.

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

CONSULTATION

In preparing this report there was consultation with:

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

OURWINNIPEG POLICY ALIGNMENT

OurWinnipeg Reference: Environmental

SUBMITTED BY

Department: Water and Waste
Division: Water Services
Prepared by: Dave Carr P. Eng., Water Treatment Operations Support Engineer
Date: February 20, 2019
File No.: W-532