

**Minutes – Standing Policy Committee on Finance and Economic Development –
April 12, 2023**

REPORTS

**Item No. 6 North End Sewage Treatment Plant (NEWPCC) Headworks
Upgrade Project,
Project ID: 2031001304, 2031001310 and 203110013B,
Quarterly Project Status Report No. 31
For the Period Ended January 31, 2023**

STANDING COMMITTEE DECISION:

The Standing Policy Committee on Finance and Economic Development concurred in the recommendation of the Winnipeg Public Service and received the financial status of the North End Sewage Treatment Plant (NEWPCC) Headworks Upgrade Project, as contained in this report, as information.

**Minutes – Standing Policy Committee on Finance and Economic Development –
April 12, 2023**

DECISION MAKING HISTORY:

Moved by Councillor Rollins,

That the recommendation of the Winnipeg Public Service be concurred in.

Carried

ADMINISTRATIVE REPORT

Title: North End Sewage Treatment Plant (NEWPCC) Headworks Upgrade Project,
Project ID: 2031001304, 2031001310 and 203110013B,
Quarterly Project Status Report No. 31
For the Period Ended January 31, 2023

Critical Path: Standing Policy Committee on Finance and Economic Development

AUTHORIZATION

Author	Department Head	CFO	CAO
C. D. Wiebe, P. Eng., CAMP, Manager, Engineering Services	T. W. Shanks, M. Eng., P. Eng., Director, Water and Waste Department	C. Kloepfer	M. Jack

EXECUTIVE SUMMARY

Project On Schedule: Yes No

Project On Adopted Budget: Yes No

Percent of Schedule Complete: 34%

Percent of Adopted Budget Spent: 37%

The Capital Budget for the NEWPCC Upgrade: Power Supply and Headworks Facilities projects is \$473,380,000.00 with expenditures to date totalling \$177,132,000.00.

Headworks Facilities Project

Red River Solutions (RRS) continues to develop and issue design submittal packages at 60%, 90%, and Issued for Construction (IFC) for various portions of work.

During this reporting period, RRS has focused on the following construction activities:

- Installation of the secant piles was completed. These are used for shoring in the raw sewage pump station (RSPS) and the interceptor junction chamber (H1).
- The RSPS chamber is excavated to the tunneling elevation, while the excavation of H1 is approximately 50% complete.
- Pile installation is 92% complete and is expected to be completed in March.
- Various major concrete pours were completed including the grit building walls, the north grit chamber, the overflow outlet chamber wall pour, and the service shaft slab at the Fine Screening area.
- The precast walls for the Standby Power Generation Building were completed offsite. RRS has commenced the delivery and installation of the wall panels.

The City continues to issue payment adjustments for late submittals and liquidated damages as required by the Design Build Agreement (DBA).

The City issued Change Order 20 in the amount of \$719,601.00 to compensate RRS for the interceptor location deviation event as outlined in the DBA.

Change orders to date total \$3,227,821.38 and are within the approved budget and approval levels.

The potential Relief Event related to materially different ground conditions at the H1 and Y5 shaft locations continues to be discussed between the City and RRS. The City continues to verify and evaluate the potential to impact cost and schedule.

RRS remains on schedule to achieve substantial completion by Q2 2025.

Distributed Control System (DCS) Migration

The DCS Migration project detailed design is in the final review stages and the last two contracts will be posted and awarded by the end of Q2 2023. The installation of the DCS fibre optic cables continues and servers have been procured.

Primary Clarifier Upgrade

The Primary Clarifier Upgrade project detailed design is ongoing. The tender for pre-procurement of the scum system has been posted. The tender for the upgrades will be issued for construction this fall.

Power Supply Upgrade

The design build contractor continues to struggle to complete the final documentation for hand over to the City. The City continues to enforce liquidated damages as Total Completion dates have been missed.

The Advisory Committee has reviewed this report and recommends that the report be sent to the Standing Policy Committee on Finance and Economic Development.

RECOMMENDATIONS

That the financial status of the North End Sewage Treatment Plant (NEWPCC) Headworks Upgrade Project, as contained in this report, be received as information.

REASON FOR THE REPORT

The Asset Management Administrative Standard FM-004 requires all projects with a total estimated cost of \$25 million (2022) or more report quarterly to the Standing Policy Committee on Finance and Economic Development. This threshold is adjusted annually for construction inflation as part of the annual Capital Budget approval. The Standing Policy Committee on Finance and Economic Development may also request reporting on any capital project.

IMPLICATIONS OF THE RECOMMENDATIONS

No implications.

HISTORY/DISCUSSION

See Appendix C – Key Project Events (History)

Update from last report

NEWPCC Upgrade: Power Supply and Headworks Facilities

Headworks Facilities

Design

- **RFP 182-2015 - DCS Migration:** Detailed design is almost complete for the systems integrator process control system (PCS) package and for the PCS panel & installation package.

Design Build Execution

- **RFP 659-2018B:** RRS continues to track behind schedule during this period. The issues affecting the schedule relate to the installation of secant piles. The delays were a function of equipment breakdowns and varying ground conditions which affected the design and drilling depths.

RRS continues to submit design submission packages at 60%, 90%, and Issued for Construction (IFC) for various portions of work.

Installation of secant piles for the raw sewage pump station (RSPS), interceptor junction chamber (H1) are complete.

Excavation of the RSPS chamber is complete to a depth of 16 metres. Preparation for tunneling and Hobas pipe (3m dia. pipe) delivery has begun. Excavation of the interceptor junction chamber (H1) has begun and is approximately 9 metres deep.

Driven pile installation is 92% complete and planned to be complete in March. Areas that remain include RSPS, Solids Handling, Odour Control Stack and Grit Effluent Chamber. Caisson pile installation is 76% complete. Areas that remain include Y4 Connection Gallery, RSPS and UV Flume.

The Grit Building walls and the north grit chambers were poured. The south grit chambers will be poured the beginning of February.

The precast walls for the Standby Power Generation Building were completed offsite. Delivery and installation of the precast walls has begun and is planned to be complete by mid-March.

The wall pour of the overflow outlet chamber at the Fine Screening area is complete. The service shaft slab has been poured. Formwork and rebars for the overflow slab channel are ongoing.

RRS has applied for a total of 19 milestone inspections to the Independent Certifier. They have been paid for all 19 of the milestones.

On September 23, 2022, RRS notified the City they had encountered materially different site ground conditions than the information available during the pursuit of the project. If verified, this will be treated as a relief event per the DBA. The City and RRS continue to verify and evaluate this notice and its impact on cost and schedule.

On November 7, 2022, a notice for liquidated damages was sent to RRS. RRS substituted their Construction Superintendent (Key Individual) which prompts a \$75,000.00 credit to the City.

On December 30, 2022, an over-expenditure of \$529,178.18 was approved by the Chief Administrative Officer (CAO). This included \$591,360.18 for the third payment of the contaminated soils relief event and up to \$21,828.00 for Change Order 18. It also included credits of \$9,500.00, \$10,890.00 and \$11,620.00 for minor design changes. Payment adjustment credits of \$30,000.00 and \$20,000.00 have been included.

On January 20, 2023, an over expenditure of \$630,601.00 was approved by the CAO. This included costs incurred for Change Order 20 for Location Deviation in the amount of \$719,601.00. Payment adjustment and liquidated damages credits of \$14,000.00 and \$75,000.00 have been included.

- **RFP 64-2021:** Altus Group Limited (Altus), the Independent Certifier for the Headworks Facilities Design Build Project, completed 19 milestone inspections for work carried out by RRS. All 19 milestone certificates have been approved.

On November 16, 2022, the City issued a third notice to Altus, as per the DBA, regarding numerous late submittals by RRS. Altus determined that \$14,000.00 of additional payment adjustments are applicable, for a total of \$66,000.00 in payment adjustments due to late submittals.

- **RFP 740-2022:** Peguis Consultation & Special Projects Inc. was hired to provide archeological and heritage monitoring services to comply with the province's Heritage Resource Branch's (HRB) requirements for the project to complete an HRIA.

Table 1 – Contracts

NEWPCC Upgrade Project: Power Supply							
Contracts Table (Contracts over \$250,000.00)							
Bid Opportunity #	Company Name	Description	Original Contract Award Value (GST & MRST extra as applicable)	Total Approved Over-Expenditures (Over-Expenditure amount only)	Date of Award	Date of Completion	Estimated % Complete
Power Supply Facility							
40-2014 (Phase 1)	KGS Group Inc	Engineering Services for the Power Supply Upgrade - Phase 1	\$ 1,180,110	\$ 94,602	7-Nov-2014	29-Jun-2018	100
40-2014 (Phase 2)	KGS Group Inc	Engineering Services for the Power Supply Upgrade - Phase 2	\$ 1,376,613	\$ 42,000	3-May-2018	-	97
599-2015 B ¹	Black & McDonald Limited	Design Build - Power Supply Upgrade Project	\$ 34,961,209	\$ 996,940	16-Apr-2018	-	95
42-2018	MB Hydro	Manitoba Hydro Works required for Power Supply Upgrade	\$ 2,531,527	\$ 249,556	29-Mar-18	8-Feb-22	100

²The Original Contract Award Value includes MRST.

NEWPCC Upgrade Project: Headworks Facilities							
Contracts Table (Contracts Over (\$250,000.00))							
Bid Opportunity #	Company Name	Description	Original Contract Award Value (GST & MRST extra as applicable)	Total Approved Over-Expenditures (Over-Expenditure amount only)	Date of Award	Date of Completion	Estimated % Complete
Headworks Facilities							
182-2015	AECOM Canada Ltd	Engineering Services for NEWPCC Upgrade - Phase 1	\$ 16,015,439	\$ 354,746	6-Jan-2016	-	97
182-2015 (Phase 2)	AECOM Canada Ltd	Engineering Services for NEWPCC Upgrade - Phase 2	\$ 7,992,827	\$ -	8-Oct-2020	-	17
182-2015 (DCS Migration)	AECOM Canada Ltd	Engineering Services - DCS Migration	\$ 2,698,331	\$ -	8-Oct-2020	-	25
102-2017	Blakes Cassels & Graydon LLP	External Legal Counsel - NEWPCC Upgrade Project	\$ 358,800	\$ -	23-Nov-2017	-	99
586-2018	Chabot Enterprises Ltd	NEWPCC - Upgrade Site Preparation Works	\$ 1,249,078	\$ -	15-Aug-2018	13-Nov-2019	100
659-2018 B ²	Red River Solutions	Design Build of NEWPCC Upgrade: Headworks Facilities	\$ 271,611,000	\$ 3,316,821	11-Jun-2021	-	37
68-2019	Westtower Communications Ltd	Communication tower relocation	\$ 401,762	\$ 133,715	22-May-2019	20-Dec-2021	100
249-2019	Turner & Townsend	Validation of Cost Estimate Classifications for NEWPCC Upgrade Project	\$ 253,852	\$ -	10-May-2019	31-Oct-2019	100
785-2020	AECOM Canada Ltd	Engineering Services - Primary Clarification Upgrades	\$ 2,166,775		7-Jun-2021	-	27
64-2021 ⁴	Altus Group Limited	Independent certifier services	\$ 274,350	\$ -	21-Jul-2021	-	20
92-2022	Centec Electric & Controls Ltd	NEWPCC DCS Migration - Fibre Supply and Installation	\$ 1,333,196	\$ -	16-Jun-2022		40
Total			\$ 304,355,410	\$ 3,805,282			

¹This is the first stage of two stage process and the contract value will be determined in the second stage

²The Original Contract Award Value includes MRST.

³The majority of this contract is related to Public Works Department. Only the amount related to Water and Waste Department is indicated.

⁴This is a triparty agreement with cost shared equally between the design builder and the City. Only the amount related to City is indicated.

Schedule (Update from last report)

N/A

Table 2 – Milestones

Milestones					
Deliverable		Original Targeted Completion Date	Revised Targeted Completion Date	Actual Completion Date	Estimated % Complete
Power Supply Facility					
1	Project Definition Report ¹	2015 Q3	2015 Q4	2015 Q4	100
2	Preliminary Design Report	2016 Q1	2016 Q4	2017 Q1	100
3	Cost Report ²	2017 Q1	2017 Q2	2017 Q3	100
4	Design Build RFP	2016 Q2	2017 Q1	2017 Q1	100
5	Design Builder Contract Award	2017 Q2	2018 Q2	2018 Q2	100
6	Design Build Substantial Completion	2020 Q2	2020 Q4	2020 Q4	100
7	Design Build Final Completion	2020 Q4	2021 Q2	-	95
Headworks Facilities					
1	Project Definition Report ¹	2017 Q2	2017 Q2	2017 Q2	100
2	Preliminary Design Report	2018 Q1	2018 Q3	2018 Q3	100
3	Cost Report ²	2018 Q3	2018 Q3	2018 Q3	100
4	Design Build RFP	2020 Q1	2020 Q1	2020 Q1	100
5	Design Builder Contract Award	2020 Q4	2021 Q2	2021 Q2	100
6	Design Build Substantial Completion	2025 Q4	2025 Q2	-	-
7	Design Build Final Completion	2026 Q4	2025 Q3	-	-
8	DCS Migration Substantial Completion	2027 Q4	-	-	-
9	Primary Clarification Substantial Completion	2023 Q4	-	-	-

¹ Owner's Advocate Class 5 Estimate

² Cost Consultant Class 3 Estimate

Risk (Update from last report)

RRS notified the City in September 2022 that they encountered materially different ground conditions than the information that was provided during the pursuit of the project. The City has requested additional information from RRS regarding this claim and its impact on their costs and schedule. The City and RRS continue to review and verify the information presented. The City may explore the use of a third-party claims investigator to review this claim. If verified, this will be treated as a relief event per the DBA.

Table 3 – Significant Risks and Mitigations Strategies

NEWPCC Upgrade: Power Supply and Headworks Facilities Project	
Significant Risks and Mitigation Strategies	
Headworks Facilities	
Risk Statement and Explanation	Risk Mitigation Management Plan
<u>New</u>	
Differing Ground conditions as defined by the Design Build Agreement were encountered in two of the deep shafts. As a result, the contractor is claiming an increase in costs and a delay.	The City and its Owners Advocate are extensively reviewing the claims and all back-up information.
<u>Ongoing:</u>	
Impacted soils were discovered by RRS during soil stripping and early excavating work. More impacted soils may be uncovered during next phases of excavation.	Disposal locations for impacted soils have been identified as GFL or Prairie Green depending on the level of contaminant. Disposal plans have been reviewed and approved by the Province. Transportation of impacted soil to disposal sites is in progress. Site delineation plan and Phase 2 environmental soil sampling testing will be conducted for any future impacted soils discovery. The project team will investigate the lowest cost options for soil disposal.
Bid prices for other contracts within the Headworks Facilities budget may be higher due to existing market conditions as a result of the pandemic.	Scope reduction options will be evaluated and included in the tender documents prior to issuing tender documents to the public.
Due to multiple construction activities occurring at NEWPCC and construction work occurring in a congested site, limited site access and schedule conflicts/delays may occur affecting tie-ins and shutdowns during construction.	There is regular communication between project managers and consultants to ensure regular coordination of projects at NEWPCC.
NEWPCC is a continuously operating sewage treatment plant, the design builder may cause unintended shutdowns or disruptions resulting in failure to meet the Environment Act Licence.	Project requirements include details on how the design builder coordinates with the City prior to tying in to the existing plant. Payment adjustments are included in the contract if it occurs.
Tariffs may be imposed on equipment procured internationally resulting in increased project costs.	Project requirements include tariffs within the definition of change in law which would be treated as a relief event if it occurs.
There could be excess noise, dust and light during construction as a result of the project.	The project requirements include construction requirements related to noise, the design builder is also required to have a community impact mitigation plan to avoid such issues.
Due to construction occurring around existing infrastructure, destabilization or damage to existing structures may occur resulting in increased costs and potential schedule delays.	Project requirements include detailed requirements for working around existing infrastructures.
Accidents may occur on an active project construction site resulting in injuries and damaged property causing project delays and reduction in productivity.	Project requirements include details on safety measures and the design builder is required to be COR certified.
There may be unknown conditions that may be associated with reusing existing facilities.	The DB agreement to include mechanism to deal with unforeseen conditions of existing facilities. Proponents will also be provided access to the site for due diligence and examination.
Unknown existing conditions related to geotechnical, environmental and hazardous material may be encountered during construction causing schedule delays and additional costs.	Geotechnical investigations and environmental impact assessments are being carried out prior to construction to minimize unknowns. It is also anticipated that contracting with a single entity responsible for construction risks would minimize impact.

Mitigated:	
The existing automation system requires migration to an updated automation system as it is at end of life. Due to the age, there may be unforeseen circumstances resulting in quality issues, schedule delays and operational impacts.	This risk is best handled by the City; as a result, the scope was separated as a stand alone design bid build project. This risk also requires knowledgeable and qualified personnel. As part of Phase 2 of their existing contract, the design consultant will carry out the work due to their qualifications and extensive knowledge and experience on the existing automation system.
Closed:	
The Public Service submitted funding applications for NEWPCC Headworks DB project for the Federal and Provincial funding under the Investing in Canada Infrastructure Program based on Council approval. Delay of the funding agreement or an agreement in principle may result in loss of a construction season causing increase in project costs and schedule delays.	This risk is now closed as the ICIP funding was approved and the design build agreement was executed before the proposal validity period.
The Project may be affected due to project costs now estimated to be \$1.8 billion.	A Class 3 cost estimate was carried out after preliminary design to validate the budget. An independent cost consultant was also retained to provide a Class 3 estimate.
No existing legislation on odour release threshold causing potential impact and complaints from neighbors resulting in post - construction renovations or changes in operation at additional cost.	A field study with dispersion modelling has been carried out. Since this risk is mainly applicable to the NEWPCC Upgrade: Nutrient Removal Project it will be identified at the start of that project.

Financial (Update from last report)

For further information, refer to Appendix B – Financial Forecast

Funding (Update from last report)

The tri-level agreement for the ICIP funding of the Headworks Project remains in the draft stage pending approvals.

Table 4 – Project Funding Forecast

Funding Forecast			
Funding Source	Adopted Budget¹ (in millions)	Amended Budget² (in millions)	Committed (in millions)
Class of Estimate	Class 5	Class 3	Class 3
NEWPCC Upgrade: Power Supply and Headworks Facilities			
Retained Earnings	87.64	87.64	87.64
External Debt ³	690.29	114.90	114.90
Environmental Projects Reserve ^{3, 4}	17.66	57.97	57.97
Federal Government ^{3, 5}		116.11	116.11
Provincial Government ^{3, 5}		96.75	96.75
Total	795.59	473.38	473.38

¹ Council adopted budget in 2016

² On February 28, 2019, Council approved the existing project be amended to consist of three projects. Project 1: Power Supply and Headworks Facilities; Project 2: Biosolids Facilities; Project 3: Nutrient Removal Facilities.

³ In a letter dated April 1, 2021, the Province confirmed that funding for Headworks Project would be reduced to \$96.749 million from \$100.300 million (Province) and to \$116.111 million from \$120.373 million (Federal), resulting in an increase of \$7.813 million to the City's share of costs.

⁴ On May 27, 2021, Council approved a budget increase of \$65 million funded by \$32.5 million debt and \$32.5 million Environmental Projects Reserve.

⁵ On July 23, 2021, Federal and Provincial ICIP funding of \$212.86 million was announced for the Headworks Project.

Property Acquisition (Update from last report)

N/A

Stakeholder Engagements/Communications (Update from last report)

The City continues to work a number of stakeholders on this project including:

- Peguis First Nation regarding the cultural interest in the NEWPCC lands for the Biosolid Facilities project.
- The Manitoba Government as the provincial regulator.
- The International Institute for Sustainable Development, Lake Winnipeg Foundation, Lake Winnipeg Indigenous Collective as environmental stakeholders.

Subsequent Events after Report Period End Date

Distributed Control System (DCS) Migration: Centec Electric & Controls Ltd completed installing the fibre cables.

FINANCIAL IMPACT

Financial Impact Statement

Date: [March 17, 2023](#)

Project Name:

**North End Sewage Treatment Plant (NEPWCC) Upgrade Project,
Project IDs: 2031001304, 2031001310 and 203110013B
Quarterley Project Status Report No. 31
For the Period Ended January 31, 2023**

COMMENTS:

Financial Forecast for NEWPCC Upgrade Projects can be found in Appendix B.

A. Wiebe, CPA, CGA

Lucy Szkwarek, CPA, CGA
Manager of Finance & Administration

CONSULTATION

This Report has been prepared in consultation with:

N/A

OURWINNIPEG POLICY ALIGNMENT

This report aligns OurWinnipeg 2045, Policy 2.17 Regional Water Resource Management, by addressing long-term capacity of water-related systems including wastewater management.

Objective: Protect and value ecosystems as essential components to quality of life through municipal activities and urban environment.

WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

NEWPCC Upgrade Project 1: Power Supply and Headworks Facilities

N/A

WINNIPEG POVERTY REDUCTION STRATEGY ALIGNMENT

Consideration was given as to whether this report connects to the Winnipeg Poverty Reduction Strategy (PRS) and its Goals and Objectives, and it was determined that the PRS is not applicable to this specific report

SUBMITTED BY

Department: Water and Waste Department

Division: Engineering Services Division

Prepared by: Colin Javra, Project Director

Date: March 22, 2023

Appendices

Appendix A – Key Project Facts

Appendix B – Financial Forecast

Appendix C – Key Project Events (History)

Appendix D - Funding

Appendix A – Key Project Facts

Project Name	NEWPCC Upgrade Project: Power Supply & Headworks Facilities
Business Owner (Department)	Water and Waste Department
Project ID	2031001304 , 2031001310 and 203110013B
Project Sponsor	Director of Water and Waste
Department Responsible for Project Delivery	Water and Waste Department
Consultant Engineer (Company Name)	KGS Group Consulting Engineers and AECOM Canada Ltd.
Adopted Budget	\$795.95 million
Class of Estimate (Adopted)	Class 5
Range of Estimate (Adopted)	-50% to +100% \$397.80 million to \$1,591.18 million.
Amended Budget	\$473.38 million
Class of Estimate (Amended)	Class 3
Range of Estimate (Amended)	-20% to +30% \$378.70 million to \$ 615.39 million
<u>Project Scope</u>	
<p>The Power Supply and Headworks Facilities projects will address end-of-life equipment at the front end of the plant and upgrade the power supply to provide adequate power capacity for the NEWPCC Upgrade Projects. The Project design will accommodate expected influent flows and loads to 2037 and take into account future regulatory trends and long term planning to year 2067.</p>	
Major Capital Projects Advisory Committee Membership:	
<ul style="list-style-type: none"> - Tim Shanks, Director of Water and Waste Department (Chair) - Michael Jack, Chief Administrative Officer - Moira Geer, Deputy Chief Administrative Officer - Catherine Kloepfer, Chief Financial Officer - Geoffery Patton, Director of Assets and Project Management - Lucy Szkwarek, Manager of Finance and Administration, Water and Waste - Colin Javra, Project Director, Winnipeg Sewage Treatment Program, Water and Waste 	

Appendix B – Financial Forecast

**Appendix B - North End Sewage Treatment Plant (NEWPCC) Upgrade Projects Financial Forecast
As of January 31, 2023**

Project Component Deliverables	Budget (in 000's)			Actual Costs To Jan 31, 2023	Expenditure Forecast (in 000's)					Total Forecasted Costs	Surplus (Deficit) From Amended Budget	Variance Last Report	Change in Variance
	Adopted Budget	Council Approved Change	Amended Budget ¹		Projected Costs								
					2023	2024	2025	2026	2027				
Power Supply & Headworks Facilities Project²													
Engineering, Design and Other	\$ 57,196	\$ (2,959)	\$ 54,237	\$ 37,282	\$ 2,700	\$ 3,809	\$ 4,103	\$ 3,355	\$ 2,988	\$ 54,237	\$ 0	\$ -	\$ 0
Construction	\$ 621,011	\$ (263,149)	\$ 357,862	\$ 136,589	\$ 82,000	\$ 102,000	\$ 32,000	\$ 12,000	\$ 728	\$ 365,317	\$ (7,455)	\$ (2,631)	\$ (4,824)
Land Acquisition	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Financing/Overhead Costs	\$ -	\$ 17,493	\$ 17,493	\$ 3,261	\$ 1,102	\$ 1,800	\$ 1,900	\$ 1,956	\$ 7,474	\$ 17,493	\$ 0	\$ -	\$ 0
Contingency	\$ 117,383	\$ (73,595)	\$ 43,788						\$ 43,788	\$ 36,333	\$ 7,455	\$ 2,631	\$ 4,824
Total Project Budget	\$ 795,590	\$ (322,210)	\$ 473,380	\$ 177,132	\$ 85,802	\$ 107,609	\$ 38,003	\$ 17,311	\$ 54,978	\$ 473,379	\$ -	\$ -	\$ -

% of Project Budget Spent ³	
Power Supply & Headworks Facilities	37%

¹ Amended budget and actual costs to date have been agreed to the City's general ledger and Monthly Capital Expenditures Report and include closed budget years

² On May 27, 2021, Council Approved a budget increase of \$65M

³ Actual costs to date / Amended budget

Power Supply & Headworks Facilities Amount in '000's			
Project ID	Project Year	Amended Budget	Costs to Date
2031001304 ⁴	2004	\$214	\$214
2031001310 ⁴	2010	\$305	\$305
203110013B	2012 – 2021	\$472,861	\$176,613
Total Project Budget		\$473,380	\$177,132

⁴ Does not appear in the Capital Expenditures Monthly Report as the funds have been expended and it is designated as a closed Project ID.

Appendix C – Key Project Events (History)

THE PROJECT

The goal of this project is to upgrade the North End Sewage Treatment Plant (NEWPCC) to meet new Regulatory Licence requirements regarding the maximization of nutrient removal and biosolids reuse and new effluent limits for nitrogen and phosphorous. The upgrade will also add wet weather treatment capability; add a new facility to treat the sludge from all three plants; and replace end-of-life equipment. The Project design will accommodate expected influent flows and loads to 2037. It will also consider future regulatory trends and long-term planning to the year 2067 to facilitate effective process or facility modifications should they be required.

A new power sub-station is required at the NEWPCC to accommodate the additional power demand of the upgrades at the facility. The power supply upgrade was delivered as a separate project from the main NEWPCC upgrade to allow for early procurement of long-lead items, such as transformers, to ensure that the electrical power upgrade is available for the new processes when needed.

The delivery method for NEWPCC Power Supply and Headworks Facilities Upgrade Projects is largely design build (DB) with a small scope being procured as design bid build (DBB).

The upgraded facility will have an economical whole-life cost and be an efficient and safe workplace for operational personnel. In addition, the plant must operate continuously during the work and continue to meet current effluent limits. The impact of construction and commissioning to the capacity of the treatment facility will be minimized as much as possible.

In 2003 Clean Environment Commission Hearings on the City's wastewater collection and treatment systems, Manitoba Conservation and Water Stewardship (now Manitoba Sustainable Development, the Regulator) notified the City that it intended to issue a licence for the NEWPCC that would require control of nutrients discharged to the Red River.

On May 16, 2007, Council authorized the Chief Administrative Officer to finalize the terms and conditions of a contribution agreement with the Government of Canada and the Province of Manitoba for funding of Wastewater Treatment Plant upgrades under the Canada Strategic Infrastructure Fund (CSIF).

On November 19, 2008, City Council authorized the Winnipeg Public Service to:

- Begin the procurement of a strategic partner that could bring private sector experience to the design, construction, finance, and potentially the operation of the North and South End Sewage Treatment Plants as well as potential operation of the West End Sewage Treatment Plant
- Authorize the Chief Administrative Officer to approve and issue the Request for Expressions of Interest followed by a Request for Qualifications and the Request for Proposals

On May 6, 2009 the Environment Act Licence (EAL) No. 2684 RRR was issued for the NEWPCC.

On May 19, 2010 Council:

- Directed the Chief Administrative Officer to approve and issue a Letter of Notification to Veolia in order to immediately begin design and construction of the South and North End Sewage Treatment Plant upgrades and expansion and biosolids handling facility
- Delegated the authority to the Chief Administrative Officer to “approve contract awards for upcoming South and North End Sewage Treatment Plant capital projects where the value of each contract does not exceed \$30 million and there are sufficient funds in a budget approved by Council

On June 16, 2011, the Save Lake Winnipeg Act amending sections of the Water Protection Act (Act) came into effect. Section 4.2(3) of the amended Act required the City to submit a plan that details how the City will comply with subsections 4.2(1) and (2).

The NEWPCC Upgrading Plan was submitted to the Regulator in compliance with Section 4.2(3) of the amended Water Protection Act on June 15, 2012. The Regulator approved the Upgrading Plan on October 2, 2012. The Department submitted the NEWPCC Master Plan and the revised NEWPCC Master Plan on September 27, 2013 and April 28, 2014 respectively. The Master Plan was approved by the Regulator on May 29, 2014.

In the Regulator’s Licence alteration Letter dated December 30, 2014, the project completion date was specified as December 2019. However, the Regulator was notified on June 23, 2016 that the project schedule was not achievable. Manitoba Sustainable Development acknowledged receipt of this notice on August 16, 2016 and indicated they had “no concerns at this time.” Regular schedule updates and progress reports continue to be submitted to Manitoba Sustainable Development on a quarterly basis.

In the second quarter of 2017, the Department reported that an updated conceptual design project cost estimate was received from the design consultant. This new information indicated costs over a billion dollars, much higher than the currently approved budget of \$795.59 million (Class 5 estimate).

The Adopted Budget, \$795.59 million, was based on a Class 5 cost estimate which has an Association for the Advancement of Cost Engineering (AACE) expected accuracy range of -50% and + 100% or \$397.80 million to \$1,591.18 million.

On February 28, 2019, Council approved the recommendation to split the planned NEWPCC Upgrade Project into three distinct projects and execute them based on process criticality and available funding. The recommendation to Council requested approval to proceed with the project scope for Power Supply and Headworks Facilities. Other levels of Government funding for the remaining projects to complete the plant upgrade are required.

The three capital projects and Class 3 cost estimates (including interest charges) to complete the NEWPCC Upgrade are identified as:

1. NEWPCC Upgrade: Power Supply and Headworks Facilities - \$473 million
2. NEWPCC Upgrade: Biosolids Facilities - \$553 million

3. NEWPCC Upgrade: Nutrient Removal Facilities - \$828 million

The total budget to upgrade NEWPCC is approximately \$1.854 billion; based on a class 3 cost estimate which has an AACE expected accuracy range of -20% and +30% or \$1.48 billion to \$2.41 billion. This amount includes an estimated \$155 million in interest charges to be capitalized during the construction period. The total budget was updated from \$1.789 billion to \$1.854 billion as a result of the budget amendment increase of \$65 million for the NEWPCC Upgrade: Power Supply and Headworks Facilities Capital Budget. The budget increase was approved by Council on May 27, 2021.

On December 5, 2019, a response was received from Manitoba Conservation and Climate, Environmental Approvals Branch with regards to the Notice of Alteration (NOA) for NEWPCC submitted by the City July 30, 2019. The response indicated that the NOA was not approved and that the City will be out of compliance with the Environmental Act Licence 2684 RRR and with the phosphorus compliance plan pursuant to the Water Protection Act in January 1, 2020. In the absence of an approved phosphorus compliance plan, the City was required to participate in two project committees namely; the Project Steering Committee and Project Advisory Committee.

On September 26, 2019, Council approved a 2019 capital project budget of \$552.712 million, for NEWPCC Upgrade: Biosolids Facilities, subject to final written confirmation of federal and provincial funding satisfactory to the Chief Financial Officer.

On January 30, 2020, Council approved \$15.334 million from the Biosolids Facilities Budget to commence engineering services.

On February 19, 2020, Minister Squires sent a letter to the Mayor indicating that additional funding of \$21.8 million is an initial payment to be allocated to the NEWPCC Upgrade Project under any potential ICIP arrangements, along with the previous allocation of \$34.4 million for a total of \$56.2 million.

On September 20, 2020 Council approved that the City agree to transfer \$321.24 million of Federal Government's funding under the ICIP from the Public Transit Infrastructure Stream to the Green Infrastructure Stream to fund the Federal Government's funding portion for the NEWPCC Upgrade: Headworks Facilities Project and the NEWPCC Upgrade: Biosolids Facilities Project as per the Province of Manitoba's requirement, subject to certain conditions.

The design build of the NEWPCC Power Supply Project was substantially completed in Q4 2020.

On March 25, 2021, Council adopted that:

- The Government of Canada and the Province of Manitoba be requested to provide confirmation of approval of ICIP for the NEWPCC Upgrade Projects: Headworks Facility Project and Biosolids Facility Project
- The Province of Manitoba be requested to confirm the City's recommended procurement methodology for the Biosolids Facility Project
- The Public Service be directed not to proceed with detailed engineering design for the Biosolids Facility design-bid-build project, in the amount of \$15.334 million, as approved

by Council on January 30, 2020, until such time as the confirmation requested in recommendations 1 and 2 have been received

In a letter dated April 1, 2021, the Province confirmed that funding for the Headworks Project will be reduced to \$96.749 million from \$100.300 million (Province) and to \$116.111 million from \$120.373 million (Federal). This means that the City's share of costs will increase by \$7.813 million as a result of the owner advocate costs incurred.

On May 18, 2021, the Executive Policy Committee concurred in the recommendation of the Public Service, as amended, that:

- The current Operation and Maintenance of Winnipeg's sewage treatment utility shall remain public and that the Operation and Maintenance not be included as part of the P3 market sounding
- That a single source contract be approved with Deloitte LLP of up to \$400 thousand to conduct a market sounding for a Design, Build and Financing P3 for the Biosolids and Nutrient Removal facilities projects of the NEWPCC upgrades
- That the Public Service report back to Council on the results of the market sounding and analysis

On May 27, 2021, Council approved

- Red River Solutions, an Aecon Oscar Renda Joint Venture, as the Preferred Proponent for the Design Build of the NEWPCC Upgrade: Headworks Facilities Project
- A budget amendment increase of \$65 million for the NEWPCC Upgrade: Power Supply and Headworks Facilities Capital Budget, to be funded 50/50 through utility rates and debt financing
- Review of the AACE Class 3 cost estimates for Biosolids and Nutrient Removal Facilities projects and refer any increases to the 2022 capital budget process; and to update the ten-year water and sewer financial plan and report back to Council in October 2021

On May 31, 2021, the NEWPCC Upgrade: Headworks Facilities was approved for Federal and Provincial funding under the ICIP – Green Infrastructure – Environmental Quality Sub-stream, with Federal contributions up to \$116.111 million and Provincial Contributions up to \$96.750 million. Accordingly, the agreement for the design build of the NEWPCC Upgrade: Headworks Facilities was executed with RRS on June 11, 2021

On July 23, 2021, a formal press release regarding the approval of funding through the ICIP application for the NEWPCC Upgrade: Headworks Facilities was carried out at the NEWPCC. All three levels of government were in attendance.

A joint news release by the Province of Manitoba and the City was issued on November 24, 2021 regarding the advancement of the City's funding application to the Federal Government of Canada for the NEWPCC Upgrade: Biosolids Facilities Project through the ICIP.

On February 24, 2022, Council approved that future tenders for the NEWPCC Upgrade Projects require bidders to include the following as part of their bid submissions:

- Specific information on its intended partnerships or self-directed plans to secure a skilled project labour workforce.

- Estimated numbers of and classifications of skilled tradespersons to be employed.
- Specific commitments to engage skilled labour including targets for employment of Indigenous peoples and other under-represented groups within the Manitoba market.

Proposed plans and partnerships with organizations to promote employment and training initiatives for Indigenous and other under-represented groups within the Manitoba market.

On July 21, 2022 the City Council approved:

1. That the NEWPCC Upgrade: Biosolids Facilities Project be delivered using a Design Build procurement model.
2. That the revised cost estimate for the NEWPCC Upgrade: Biosolids Facilities Capital Budget be referred to the 2024-2027 Multi-Year Budget Process.
3. That the \$15,334,000.00 2019 Capital Budget for the NEWPCC Upgrade: Biosolids Facilities, approved on January 30, 2020, as part of the 2020-2023 Water and Sewer Rate Report, be funded from the Environmental Projects Reserve rather than external debt.

On August 16, 2022, a formal press release regarding the approval of funding through the ICIP application for the NEWPCC Upgrade: Biosolids Facilities was carried out at the NEWPCC. All three levels of government were in attendance.

RISKS AND RISK MITIGATION STRATEGIES

There are risks associated with the cost and schedule for a project that is this large and complex especially at the early stages. In addition, the final bid amounts for projects are unknown until the project agreement is finalized with the Design Builder.

An ongoing risk management strategy has been implemented for both the NEWPCC Upgrade Power Supply and Headworks Facilities Projects. It includes a proactive process of identifying risks, performing qualitative and quantitative risk analyses, creating response plan strategies, and ongoing monitoring. The risk management process is an active part of the management of the projects. The projects will also incorporate structured Hazard and Operability Analysis and a Construction Hazard Assessment Implication Review. Since detailed design and construction will be carried out through a DB contract, the Winnipeg Sewage Treatment Program will be identifying and transferring as much risk as reasonable to the Design Builder.

The Risk Registers for each of the Projects contain cost and schedule risks associated with design, procurement, construction, operation, and unknown events. This is reviewed and updated regularly.

Appendix D - Funding

Appendix D North End Sewage Treatment Plant (NEWPCC) and Winnipeg Sewage Treatment Program (WSTP)

1) Funding for the NEWPCC is as follows:

NEWPCC Nutrient Removal Facilities (in \$millions)	Total Cost	Funded to Date		Funding Pending		Total Funding		City Share of Costs
		Canada	Manitoba	Canada	Manitoba	Canada	Manitoba	
Provincial Funding								
Power Supply and Headworks Facilities	\$ 473.38			\$ 116.11	\$ 96.75	\$ 116.11	\$ 96.75	\$ 260.52
Funding Dependent								
Biosolids Facilities	552.71			200.87	167.38	200.87	167.38	184.46
Nutrient Removal Facilities	828.06							
Estimated Program Costs	\$ 1,854.15	\$ -	\$ -	\$ 316.98	\$ 264.13	\$ 316.98	\$ 264.13	\$ 444.98

2) Funding for the Winnipeg Sewage Treatment Programs is as follows:

WSTP All Projects (in \$millions)	Total Cost	Funded to Date		Funding Pending		Total Funding		City Share of Costs
		Canada	Manitoba	Canada	Manitoba ⁴	Canada	Manitoba	
WEWPCC Biological Nutrient Removal ¹	\$ 33.23	\$ 5.07	\$ 8.19			\$ 5.07	\$ 8.19	\$ 19.97
NEWPCC Centrate and UV Disinfection ¹	52.08	5.59	14.54			5.59	14.54	31.95
SEWPCC Nutrient Removal/Expansion	375.60	37.04	15.98	5.30	1.10	42.34	17.08	316.18
NEWPCC Power Supply and Headworks ²	473.38			116.11	96.75	116.11	96.75	260.52
NEWPCC Biosolids ³	552.71			200.87	167.38	200.87	167.38	184.46
NEWPCC Nutrient Removal ⁴	828.06					-	-	-
Estimated Program Costs	\$ 2,315.06	\$ 47.70	\$ 38.71	\$ 322.28	\$ 265.23	\$ 369.98	\$ 303.94	\$ 813.08

¹ WEWPCC Biological Nutrient Removal and NEWPCC Centrate and UV Disinfection have been completed.

² On July 23, 2021 the Federal and Provincial governments announced \$212.86 million in Investment in Canada Infrastructure Program (ICIP) funding for the NEWPCC Upgrade Power Supply and Headworks project. \$116.11 million in Federal and \$96.75 million in Provincial funding.

³ On August 16, 2022 the Federal and Provincial governments announced an additional \$368.25 million in ICIP funding for the NEWPCC Upgrade Biosolids project. \$200.87 million in Federal and \$167.38 million in Provincial funding. Committing a total of \$581.11 million in funding to the NEWPCC Upgrade.

⁴ NEWPCC Upgrade Nutrient Removal project has not been approved.