

**Minutes – Standing Policy Committee on Finance – June 12, 2020**

**REPORTS**

**Item No. 4                    North End Sewage Treatment Plant (NEWPCC) Upgrade Projects,  
Project ID: 2031001304, 2031001310, 203110013B and 203110028B,  
Quarterly Project Status Report No. 21 for the Period Ended  
January 31, 2020**

**STANDING COMMITTEE DECISION:**

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

**Minutes – Standing Policy Committee on Finance – June 12, 2020**

DECISION MAKING HISTORY:

Moved by Councillor Chambers,

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

Carried

## ADMINISTRATIVE REPORT

**Title: North End Sewage Treatment Plant (NEWPCC) Upgrade Projects, Project ID: 2031001304, 2031001310, 203110013B and 203110028B, Quarterly Project Status Report No. 21 For the Period Ended January 31, 2020**

**Critical Path: Standing Policy Committee on Finance**

### AUTHORIZATION

Author	Department Head	CFO	CAO
G.K. Patton, P. Eng., Manager of Engineering Services	M. L. Geer, CPA, CA, Director, Water and Waste Department	P. Olafson, Interim CFO	M. Ruta, Interim CAO

### EXECUTIVE SUMMARY

**Project On Schedule:** Yes  No

**Project On Adopted Budget:** Yes  No

**Percent of Schedule Complete:**

**Percent of Adopted Budget Spent:**

Two proponents, Aecon/Oscar Renda joint venture (Red River Solutions) and Graham/PCL joint venture, were shortlisted as the prequalified proponents to receive the Request for Proposals for the Design Build of the City of Winnipeg's NEWPCC Upgrade: Headworks Facilities Project.

The construction of the new Power Supply Facility and the relocation of an existing communications tower at NEWPCC are ongoing. However, due to the impact of COVID-19 in March, workforces are being limited to necessitate social distancing. The extent of impact is not known at this time but it is likely that there will be schedule implications.

Council approved \$15.334 million on January 30, 2020 to proceed with engineering services on the NEWPCC Upgrade Project 2: Biosolids Facilities Project.

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

## RECOMMENDATIONS

That the financial status of the North End Sewage Treatment Plant (NEWPCC) Upgrade Projects, 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 \$24 million (2020) or more report quarterly to the Standing Policy Committee on Finance. This threshold is adjusted annually for construction inflation as part of the annual Capital Budget approval. The Standing Policy Committee on Finance 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)

Council has approved the submission of the Headworks and Biosolids Facilities projects for Federal and Provincial funding under the Investing in Canada Infrastructure Program (ICIP). The Public Service has submitted the application with additional information being requested at this time.

### **NEWPCC Upgrade: Power Supply and Headworks Facilities**

#### **Power Supply Facility**

This part of the project is in the Design Build execution phase.

- **RFP 40-2014:** KGS Group's (Owner's Advocate) Phase 2 work, for professional engineering services during construction continues under a Supplemental Agreement to RFP 40-2014.
- **RFP 599-2015B:** A design build contract was executed on April 16, 2018 with Black & McDonald Ltd. Black & McDonald Ltd. has completed 99% of the design. Concrete slabs and exterior walls have been completed for new electrical building. Piling and foundation work has been completed for switchyard structures. The 23/30 MVA transformers have been tested and installed. An over-expenditure of \$42,398 was required for cable repair to provide redundancy to the nitrogen removal building and to provide physical security system upgrades for the site.

- **RFP 42-2018:** A construction agreement was executed on July 11, 2018 with Manitoba Hydro. Design for the final arrangement was completed in Q4 2019. Construction of Manitoba Hydro's permanent power lines is scheduled for Q1 2020.

### **Headworks Facilities**

This part of the project is in the Procurement Stage.

- **RFP 182-2015:** AECOM continues to work on Request for Proposal documents and technical requirements for the NEWPCC Upgrade: Headworks Facilities Project.
- **RFP 9-2017:** P1 Consulting (fairness advisor) continues to be involved in the RFQ process for the of the design build of the NEWPCC Upgrade: Headworks Facilities Project.
- **RFP 102-2017:** Blakes Cassels & Graydon (Legal advisor) continues to be involved in reviewing procurement documents and design build agreement for the project.
- **Bid Opportunity 586-2018:** NEWPCC - Upgrade Site Preparation Works has reached total performance.
- **RFQ 659-2018A:** Two proponents, Aecon/Oscar Renda JV (Red River Solutions) and Graham/PCL joint venture were shortlisted as the prequalified proponents to receive the Request for Proposals for the Design Build of the City of Winnipeg's NEWPCC Upgrade: Headworks Facilities Project. The Request for Qualification aspect of the two stage procurement process is now complete.
- **RFP 249-2019:** A Contract was awarded through the City Auditor to Turner & Townsend for a Validation of Cost Estimate Classifications for NEWPCC Upgrade Project. Two Audits of the estimate classifications for: NEWPCC Upgrade: Power Supply and Headworks Facilities and the NEWPCC Upgrade: Biosolids Facilities were completed and submitted to Council on September 26, 2019. The report for NEWPCC Upgrade: Nutrient Removal Facilities is complete but has not been submitted to Council pending the Department's request for budget approval.
- **Bid Opportunity 68-2019:** The work associated with relocating the communication tower from Parcel A to Parcel B of NEWPCC site is ongoing.

### **NEWPCC Upgrade: Biosolids Facilities**

This part of the project is in the initiation stage.

- On September 26, 2019 Council approved a 2019 capital project budget of \$552,712,000 subject to final written confirmation of federal and provincial funding satisfactory to the Chief Financial Officer
- On January 30, 2020 Council approved \$15,334,000 from the Biosolids Facilities Budget to commence engineering services.

## **Notice of Alteration (NOA) for NEWPCC**

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.

The required interim phosphorus reduction plan and implementation plan has been submitted to the Project Advisory Committee. Submission of monthly progress reports to the Project Advisory Committee is also ongoing.

Table 1 – Contracts

NEWPCC Upgrade Project 1: Power Supply and Headworks Facilities							
Bid Opportunity #	Company Name	Description	Contracts Table		Date of Award	Date of Completion	Estimated % Complete
			Original Contract Award Value (GST & MRST extra as applicable)	Total Approved Over-Expenditures (Over-Expenditure amount only)			
<b>Power Supply Facility</b>							
40-2014 (Phase 1)	KGS Group Inc	Professional Engineering Consulting Services for the NEWPCC Power Supply Upgrade – Phase 1	\$ 1,180,110	\$ 94,602	7-Nov-2014	29-Jun-2018	100
40-2014 (Phase 2)	KGS Group Inc	Professional Engineering Consulting Services for the NEWPCC Power Supply Upgrade – Phase 2	\$ 1,376,613	\$ -	3-May-2018	-	44
10-2015	Knowles Consultancy Services Inc	Fairness Advisor for the NEWPCC Power Supply Upgrade Project	\$ 37,620	\$ 44,260	8-May-2015	5-Mar-2019	100
599-2015 A <sup>1</sup>	Pre-qualified parties are Black & McDonald Limited Wescan Electrical Mechanical Services	Request for Qualifications for Design Build of the City of Winnipeg's North End Sewage Treatment Plant Power Supply Upgrade Project	N/A	N/A	N/A	-	100
599-2015 B <sup>2</sup>	Black & McDonald Limited	Request for Proposal for Design Build of the City of Winnipeg's North End Sewage Treatment Plant Power Supply Upgrade Project	\$ 34,961,209	\$ 85,787	16-Apr-2018	-	50
816-2015	Hanscomb Limited	Cost Consultant for the NEWPCC Power Supply	\$ 45,040	\$ -	16-Dec-2015	2-Aug-17	100
773-2016	MB Hydro	Professional Consulting Services For Load Interconnection Facilities Study For The North End Sewage Treatment Plant (NEWPCC)	\$ 88,299	\$ -	7-Nov-2016	10-Jan-18	100
136-2017	Blakes Cassels & Graydon LLP	External Legal Counsel - NEWPCC Power Supply Project	\$ 95,575	\$ -	14-Dec-2016	-	90
42-2018	MB Hydro	Manitoba Hydro Works Associated with the North End Sewage Treatment Plant (NEWPCC) Biological Nutrient Removal Upgrade Project	\$ 2,531,527	\$ 249,556	29-Mar-2018	-	60
<b>Headworks Facilities</b>							
506-2014	Ostara Nutrient Recovery Technologies Inc	Supply and Delivery of a Struvite Recovery System	TBD	\$ -	23-Jul-2015	-	-
182-2015	AECOM Canada Ltd	Professional Engineering Consulting Services for the North End Sewage Treatment Plant (NEWPCC) Upgrade – Phase 1	\$ 16,015,439	\$ 354,746	6-Jan-2016	-	85
866-2016	Cambi Inc.	Pre-Selection and Design Services for Thermal Hydrolysis Process System for the North End Sewage Treatment Plant	\$ 75,000	\$ -	15-Jun-2017	-	100
9-2017	P1 Consulting Inc	Request for Proposal for a Fairness Advisor for the North End Sewage Treatment Plant Upgrade Project	\$ 82,880	\$ -	2-May-2017	-	40
102-2017	Blakes Cassels & Graydon LLP	External Legal Counsel - NEWPCC Upgrade Project	\$ 358,800	\$ -	23-Nov-2017	-	40
225-2018	Hanscomb Limited	Professional Cost Consulting Services contract for the NEWPCC Upgrade Project	\$ 98,800	\$ -	27-Apr-2018	20-Jul-2018	100
586-2018	Chabot Enterprises Ltd	NEWPCC - Upgrade Site Preparation Works	\$ 1,395,578	\$ -	15-Aug-2018	-	97
659-2018 A <sup>1</sup>	Prequalified proponents are Aecon/Oscar JV (Red River Solutions) & Graham/PCL JV	Request for Qualifications for Design Build of the City of Winnipeg's North End Sewage Treatment Plant Power Supply Upgrade Project	N/A	N/A	N/A	-	100
S-1192	AECOM Canada Ltd	Professional Consulting Services for City of Winnipeg Interim Phosphorus Removal Options Evaluation	\$ 30,118	\$ -	17-Dec-2018	18-Jul-2019	100
68-2019	Westtower Communications Ltd	Installation of a 120 Meter Guyed Radio Tower & Design & Installation of Associated Site Works	\$ 401,762	\$ 133,715	22-May-2019	-	27
249-2019	Turner & Townsend	Validation of Cost Estimate Classifications for NEWPCC Upgrade Project	\$ 253,852	\$ -	10-May-2019	-	100
502-2019	Dillon Consulting Ltd	Professional Consulting Services for Development of the Consultant Portions of a Design Build Template	\$ 72,193	\$ -	13-May-2019	-	97
			<b>Total</b>	<b>\$ 59,100,415</b>	<b>\$ 962,666</b>		
<sup>1</sup> This is the first stage of two stage process and the contract value will be determined in the second stage <sup>2</sup> The Original Contract Award Value includes MRST.							
<b>Upcoming Procurements:</b>							
<b>Description</b>						<b>Anticipated Award Date</b>	
RFP 659-2018B Request for Proposals for NEWPCC Upgrade : Headworks Facilities Design Build Project						Mar-2021	

NEWPCC Upgrade Project 2: Biosolids Facilities
Contracts Table - Not applicable at this time

NEWPCC Upgrade Project 3: Nutrient Removal Facilities
Contracts Table - Not applicable at this time

**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	
<b>NEWPCC Upgrade Project 1: Power Supply &amp; Headworks Facilities</b>					
<b>Power Supply Facility</b>					
1	Project Definition Report <sup>1</sup>	2015 Q3	2015 Q4	2015 Q4	100
2	Preliminary Design Report	2016 Q1	2016 Q4	2017 Q1	100
3	Cost Report <sup>2</sup>	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 Performance	2020 Q2	-	-	-
7	Design Build Total Performance	2020 Q4	-	-	-
<b>Headworks Facilities</b>					
1	Project Definition Report <sup>1</sup>	2017 Q2	2017 Q2	2017 Q2	100
2	Preliminary Design Report	2018 Q1	2018 Q3	2018 Q3	100
3	Cost Report <sup>2</sup>	2018 Q3	2018 Q3	2018 Q3	100
4	Design Build RFP	2020 Q1	-	-	90
5	Design Builder Contract Award	2020 Q4	2021 Q1	-	-
6	Design Build Substantial Performance	2025 Q4	-	-	-
7	Design Build Total Performance	2026 Q4	-	-	-
<b>NEWPCC Upgrade Project 2: Biosolids Facilities Project</b>					
TBD					
<b>NEWPCC Upgrade Project 3: Nutrient Removal Facilities Project</b>					
Project not Initiated - Dependent on Funding					

<sup>1</sup> Owner's Advocate Class 5 Estimate

<sup>2</sup> Cost Consultant Class 3 Estimate

**Risk** (Update from last report)

**NEWPCC Upgrade: Power Supply and Headworks Facilities**

Power Supply Facility

There are risks associated with loss of redundancy which could result in process upset as the UV transformer is being de-energized and the new electrical system is being commissioned. There will be ongoing coordination with Manitoba Hydro and the Design Builder with regards to construction and electrical load transfers to mitigate the risk.

The risk associated with geotechnical condition is now closed as subsurface conditions are complete.



## Headworks Facilities

There are no risks identified for the Headworks Facilities project

## **NEWPCC Upgrade: Biosolids Facilities**

There are no risks identified for the Biosolids Facilities project

Table 3 – Significant Risks and Mitigations Strategies

<b>NEWPCC Upgrade: Power Supply and Headworks Facilities Project</b>	
<b>Significant Risks and Mitigation Strategies</b>	
<b>Power Supply Facility</b>	
<b>Risk Statement and Explanation</b>	<b>Risk Mitigation Management Plan</b>
<b><u>New:</u></b>	
The UV facility transformer must be de-energized during the Manitoba Hydro construction period. No power redundancy for the UV facility for a 4 week period.	Ongoing close coordination with Manitoba Hydro. Construction of line entrance structure scheduled during low flow period.
Plant load transfer is required to commission new electrical system. Planned power outages and loss of redundancy periods are required for each plant process area, which increases the risk of process upset.	Design Builder to coordinate all load transfer activities with City to minimize disruption to plant processes.
<b><u>Ongoing:</u></b>	
Safety issues could occur as a result of coring through concrete wall / floor / ceiling during equipment installation. Utilities at NEWPCC are not always marked in drawings.	Design Builder is responsible for site safety. The Design Builder will scan the concrete infrastructure prior to coring.
Safety issues could occur as a result of increased traffic on the NEWPCC site.	The Design Builder has plans in place to address construction traffic. Construction traffic is largely limited to a separate entrance to the plant.
As part of construction activities, the power in an area believed to be de-energized could be energized resulting in a potential shock or arc flash and associated injury and equipment damage.	The Design Builder developed and implemented a Health and Safety Plan, Construction Phasing Plan and Interface Plan. The DB maintains close coordination with City personnel.
<b><u>Mitigated:</u></b>	
Manitoba Hydro may not have the required power available within the required timeframe.	Ongoing close coordination with Manitoba Hydro. Construction dates confirmed for line entrance structure.
Old electrical equipment and building parts may contain asbestos.	The Design Builder's Project Safety Plan includes management of asbestos.
The Design Builder is not familiar with the existing equipment labelling, some of which may be confusing due to historical issues and thus there is a possibility of incorrect switching or electrical lock-out resulting in a potential shock or arc flash and associated injury and equipment damage.	City to carry out electrical switching of all equipment outside of the Design Builder's scope of work. Design Builder to prepare detailed plans of all switching events.
<b><u>Closed:</u></b>	
There may be unknown geotechnical conditions that impact the project schedule and cost.	This risk is closed as subsurface wrks is complete

NEWPCC Upgrade: Power Supply and Headworks Facilities Project	
Significant Risks and Mitigation Strategies	
Headworks Facilities	
Risk Statement and Explanation	Risk Mitigation Management Plan
<b>New:</b>	
None	
<b>Ongoing:</b>	
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.
<b>Mitigated:</b>	
Assumptions made on the grit quantities in the sludge may not be appropriate resulting in damage to grit sensitive equipment and under sizing of sludge facilities.	The grit characterization study of the raw sewage was carried out. This report will be included as a background document in the Design Build agreement for the prequalified proponents.
<b>Closed:</b>	
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)

### **NEWPCC Upgrade: Power Supply and Headworks Facilities**

#### **Power Supply Facility**

An over expenditure in the amount of \$42,398.00 for NEWPCC Power Supply Upgrade related to for cable repair to provide redundancy to the nitrogen removal building and to provide physical security system upgrades for the site was required as indicated in Table 1.

### **NEWPCC Upgrade: Biosolids Facilities**

Council approved \$15,334,000. on January 30, 2020 to commence engineering services.

For further information, refer to Appendix B – Financial Forecast

**Funding** (Update from last report)

N/A

Table 4 – Project Funding Forecast

<b>Funding Forecast</b>				
<b>Funding Source</b>	<b>Adopted Budget (in millions)</b>	<b>Amended Budget<sup>1</sup> (in millions)</b>	<b>Committed (in millions)</b>	<b>Conditional Budget (in millions)</b>
<b>Class of Estimate</b>	<b>Class 5</b>	<b>Class 3</b>	<b>Class 3</b>	<b>Class 3</b>
North End Sewage Treatment Plant (NEWPCC) Biological Nutrient Removal Upgrade Project <b>City of Winnipeg Total</b>	<b>795.59</b>			
Retained Earnings	87.64			
External Debt	690.29			
Environmental Projects Reserve	17.66			
NEWPCC Upgrade: Power Supply and Headworks Facilities <b>Project 1 Total<sup>1</sup></b>		<b>408.38</b>	<b>408.38</b>	<b>408.38</b>
Retained Earnings		87.64	87.64	87.64
External Debt		303.08	303.08	82.40
Environmental Projects Reserve		17.66	17.66	17.66
Federal Government				120.37
Provincial Government				100.30
NEWPCC Upgrade: Biosolids Facility <b>Project 2 Total<sup>2</sup></b>		<b>15.33</b>	<b>15.33</b>	<b>552.71</b>
External Debt <sup>3</sup>		15.33	15.33	184.46
Federal Government				200.87
Provincial Government				167.38
<b>Total</b>	<b>795.59</b>	<b>423.71</b>	<b>423.71</b>	<b>961.09</b>

*The funding forecast should match The Capital Budget Detail Sheet.*

<sup>1</sup> 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. Budget of \$408.38 allocated for Project 1 Power Supply and Headworks Facilities and that an application for Federal/Provincial funding be submitted. Projects 2 and 3 remained pending

<sup>2</sup> On September 26, 2019 Council approved budget of \$552.71 million for Project 2 conditional upon Federal/Provincial Funding.

<sup>3</sup> On January 30, 2020 Council approved \$15.33 million for Project 2 to proceed with engineering services. Total conditional budget includes \$15.33 million.

Project 3 - NEWPCC Upgrade: Nutrient Removal Facilities - \$828 million is, pending Council approval.

**Property Acquisition** (Update from last report)

N/A

**Stakeholder Engagements/Communications** (Update from last report)

N/A

**Subsequent Events after Report Period End Date**

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 project under any potential ICIP arrangements, along with the previous allocation of \$34.4 million for a total of \$56.2 million.

**NEWPCC Upgrade: Power Supply and Headworks Facilities**

**Power Supply Facility**

The design build contractor has notified the Department that COVID-19 is an event beyond their control and as such constitutes a force majeure and will be evaluating the potential impacts the pandemic will have on delivering the Project. They have not suspended on site operations; however, they are limiting workforce to necessitate social distancing.

**Headworks Facilities**

The Request for Proposals was issued on March 10, 2020 to the two prequalified proponents for RFQ 659-2018A Design Build of the City of Winnipeg's NEWPCC Upgrade: Headworks Facilities Project.

<b>FINANCIAL IMPACT</b>
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**Financial Impact Statement**Date: **May 19, 2020**

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**Project Names:**

**North End Sewage Treatment Plant (NEWPCC) Upgrade Projects,  
Project ID: 2031001304, 2031001310, 203110013B and 203110028B,  
Quarterly Project Status Report No. 21  
For the Period Ended January 31, 2020**

**COMMENTS:**

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

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

Lucy Szkwarek, CPA, CGA

Manager of Finance and Administration

## CONSULTATION

This Report has been prepared in consultation with:

N/A

## OURWINNIPEG POLICY ALIGNMENT

01-3 Prosperity Direction 1: Provide efficient and focused civic administration and governance. This report supports demonstration of accountability through service performance measurement and reporting.

02-2 Environment: The NEWPCC Upgrade Projects will reduce the environmental impact of our citizens on the Red River and the downstream lakes and rivers. They are in collaboration with the Regulatory Licence requirements issued by the Province of Manitoba.

## WINNIPEG CLIMATE ACTION PLAN ALIGNMENT

### NEWPCC Upgrade Project 1: Power Supply and Headworks Facilities

N/A

### NEWPCC Upgrade Project 2: Biosolids Facilities

NEWPCC Upgrade: Biosolids Facilities Project aligns with the Strategic Opportunity #6 Waste Reduction and Diversion found on page 51 of the Climate Action Plan approved by Council on September 20, 2018; Key Directions 6.3 & 6.4.

The Water Protection Act requires the City to reuse the wastewater biosolids, and to recover the nutrients from the biosolids to the maximum extent possible. The intent is for the facility to produce a class A biosolids which could be used for agricultural purposes resulting in diversion of biosolids from the landfill.

## SUBMITTED BY

**Department:** Water and Waste

**Division:** Engineering Services

**Prepared by:** R. Y. Adedapo, M.A.Sc., PMP, P. Eng., Senior Project Engineer

**Date:** May 19, 2020

**File No.** S-972

## **Appendices**

Appendix A – Key Project Facts

Appendix B – Financial Forecast

Appendix C – Key Project Events (History)

Appendix D – Funding

## Appendix A – Key Project Facts

<b>Project Name</b>	NEWPCC Upgrade Project 1: Power Supply & Headworks Facilities
<b>Business Owner (Department)</b>	Water and Waste Department
<b>Project ID</b>	2031001304 , 2031001310 and 203110013B
<b>Project Sponsor</b>	Director of Water and Waste
<b>Department Responsible for Project Delivery</b>	Water and Waste Department
<b>Consultant Engineer (Company Name)</b>	KGS Group Consulting Engineers and AECOM Canada Ltd.
<b>Adopted Budget</b>	\$795.95 million
<b>Class of Estimate (Adopted)</b>	Class 5
<b>Range of Estimate (Adopted)</b>	-50% to +100% \$397.80 million to \$1,591.18 million.
<b>Amended Budget</b>	\$408.38 million
<b>Class of Estimate (Amended)</b>	Class 3
<b>Range of Estimate (Amended)</b>	-20% to +30% \$326.70 million to \$ 530.89 million
<b>Project Scope</b>	
<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>	
<b>Major Capital Projects Advisory Committee Membership:</b>	
<ul style="list-style-type: none"> <li>- Moira Geer, Director of Water and Waste Department (Chair)</li> <li>- Mike Ruta, Interim Chief Administrative Officer</li> <li>- Dave Wardrop, Chief Transportation and Utilities Officer</li> <li>- Georges Chartier, Chief Asset and Project Management Officer</li> <li>- Lucy Szkwarek, Manager of Finance and Administration, Water and Waste</li> <li>- Jackie Veilleux, Project Director, Winnipeg Sewage Treatment Program, Water and Waste</li> </ul>	



<b>Project Name</b>	NEWPCC Upgrade Project 2: Biosolids Facilities
<b>Business Owner (Department)</b>	Water and Waste Department
<b>Project ID</b>	203110028B
<b>Project Sponsor</b>	Director of Water and Waste
<b>Department Responsible for Project Delivery</b>	Water and Waste Department
<b>Consultant Engineer (Company Name)</b>	TBD
<b>Adopted Budget</b>	On September 26, 2019 Council approved a budget of \$552.71 million conditional on government funding. \$15.334 million was approved by Council on January 30, 2020 out of the \$552.71 million to commence engineering services.
<b>Class of Estimate (Adopted)</b>	
<b>Range of Estimate (Adopted)</b>	
<b>Amended Budget</b>	
<b>Class of Estimate (Amended)</b>	
<b>Range of Estimate (Amended)</b>	
<b><u>Project Scope</u></b>	
The Biosolids Facilities project will address end of life equipment and regulatory requirements regarding the recovery of nutrients and maximize biosolids reuse. It will add new facilities to treat the sludge from City of Winnipeg's three sewage treatment plants and replace end-of-life equipment.	
<b>Major Capital Projects Advisory Committee Membership:</b>	
TBD	

<b>Project Name</b>	NEWPCC Upgrade Project 3: Nutrient Removal Facilities
<b>Business Owner (Department)</b>	Water and Waste Department
<b>Project ID</b>	TBD
<b>Project Sponsor</b>	Director of Water and Waste
<b>Department Responsible for Project Delivery</b>	Water and Waste Department
<b>Consultant Engineer (Company Name)</b>	TBD
<b>Adopted Budget</b>	Funding Dependent
<b>Class of Estimate (Adopted)</b>	
<b>Range of Estimate (Adopted)</b>	
<b>Amended Budget</b>	
<b>Class of Estimate (Amended)</b>	
<b>Range of Estimate (Amended)</b>	
<b><u>Project Scope</u></b>	
The Nutrient Removal Facilities project will address end of life equipment and regulatory requirements regarding the new effluent limits for nitrogen and phosphorous. It will add mostly all new facilities including new wet weather treatment capability; and replace end-of-life equipment.	
<b>Major Capital Projects Advisory Committee Membership:</b>	
TBD	

## Appendix B – Financial Forecast

Appendix B - North End Sewage Treatment Plant (NEWPCC) Upgrade Projects Financial Forecast\*  
As at January 31, 2020

Project Component Deliverables	Budget (in 000's)			Actual Costs To January 31, 2020	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		Projected Costs								
					2020	2021	2022	2023	2024 and Beyond				
<b>Power Supply &amp; Headworks Facilities Project<sup>1</sup></b>													
Engineering, Design and Other	\$ 57,196	\$ (8,503)	\$ 48,693	\$ 21,068	\$ 2,964	\$ 4,274	\$ 3,279	\$ 3,104	\$ 14,752	\$ 49,441	\$ (748)	\$ (748)	\$ -
Construction	\$ 621,011	\$ (352,645)	\$ 268,366	\$ 5,859	\$ 35,574	\$ 11,000	\$ 36,500	\$ 46,500	\$ 133,402	\$ 268,835	\$ (469)	\$ (427)	\$ (42)
Land Acquisition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Financing/Overhead Costs	\$ -	\$ 15,969	\$ 15,969	\$ 1,499	\$ 1,130	\$ 460	\$ 1,200	\$ 1,400	\$ 10,280	\$ 15,969	\$ -	\$ -	\$ -
Contingency	\$ 117,383	\$ (42,031)	\$ 75,352	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 74,135	\$ 74,135	\$ 1,217	\$ 1,175	\$ 42
<b>Subtotal</b>	<b>\$ 795,590</b>	<b>\$ (387,210)</b>	<b>\$ 408,380</b>	<b>\$ 28,426</b>	<b>\$ 39,668</b>	<b>\$ 15,734</b>	<b>\$ 40,979</b>	<b>\$ 51,004</b>	<b>\$ 232,569</b>	<b>\$ 408,380</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Biosolids Facilities Project - Conditional Budget<sup>2</sup></b>													
Engineering, Design and Other	\$ -	\$ 15,334	\$ 30,967	\$ -	\$ 250	\$ 3,100	\$ 3,300	\$ 2,800	\$ 21,517	\$ 30,967	\$ -	\$ -	\$ -
Construction	\$ -	\$ -	\$ 377,967	\$ -	\$ -	\$ -	\$ -	\$ 53,810	\$ 324,157	\$ 377,967	\$ -	\$ -	\$ -
Land Acquisition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Financing/Overhead Costs	\$ -	\$ -	\$ 43,161	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 43,161	\$ 43,161	\$ -	\$ -	\$ -
Contingency	\$ -	\$ -	\$ 100,617	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,617	\$ 100,617	\$ -	\$ -	\$ -
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ 15,334</b>	<b>\$ 552,712</b>	<b>\$ -</b>	<b>\$ 250</b>	<b>\$ 3,100</b>	<b>\$ 3,300</b>	<b>\$ 56,610</b>	<b>\$ 489,452</b>	<b>\$ 552,712</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Nutrient Removal Facilities Project - Funding Dependent<sup>3</sup></b>													
Engineering, Design and Other	\$ -	\$ -	\$ 34,973	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 34,973	\$ 34,973	\$ -	\$ -	\$ -
Construction	\$ -	\$ -	\$ 536,250	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 536,250	\$ 536,250	\$ -	\$ -	\$ -
Land Acquisition	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Internal Financing/Overhead Costs	\$ -	\$ -	\$ 143,252	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 143,252	\$ 143,252	\$ -	\$ -	\$ -
Contingency	\$ -	\$ -	\$ 113,582	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 113,582	\$ 113,582	\$ -	\$ -	\$ -
<b>Subtotal</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 828,057</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 828,057</b>	<b>\$ 828,057</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Total Project Budget</b>		<b>\$ (371,876)</b>	<b>\$ 1,789,149</b>	<b>\$ 28,426</b>	<b>\$ 39,918</b>	<b>\$ 18,834</b>	<b>\$ 44,279</b>	<b>\$ 107,614</b>	<b>\$ 1,550,078</b>	<b>\$ 1,789,149</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

% of Project Budget Spent <sup>4</sup>	
Power Supply & Headworks Facilities	7%
Biosolids Facilities	TBD
Nutrient Removal Facilities	TBD

<sup>1</sup> 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

<sup>2</sup> On September 26, 2019 Council approved NEWPCC Upgrade Biosolids Facility \$552.71M conditional on government funding  
On January 31, 2020 \$15.334M was approved for Engineering Services

<sup>3</sup> Budget has not been approved

<sup>4</sup> Actual costs to date / Amended budget

Power Supply & Headworks Facilities Amount in '000's			
Project ID	Project Year	Amended Budget	Costs to Date
2031001304 <sup>5</sup>	2004	\$214	\$214
2031001310 <sup>5</sup>	2010	\$305	\$305
203110013B	2012 – 2017	\$407,861	\$27,907
<b>Total Project Budget</b>		<b>\$408,380</b>	<b>\$28,426</b>

<sup>5</sup> 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 take into account future regulatory trends and long term planning to 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 is being 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 North End Water Pollution Control Centre (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.

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 requires 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 MB 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 - \$408 million
2. NEWPCC Upgrade: Biosolids Facilities - \$553 million
3. NEWPCC Upgrade: Nutrient Removal Facilities - \$828 million

The total budget to upgrade NEWPCC is approximately \$1,789 million; based on a class 3 cost estimate which has an Association for the Advancement of Cost Engineering (AACE) expected accuracy range of -20% and +30% or \$1,431.2 million to \$2,325.7 million. This amount includes an estimated \$155 million in interest charges to be capitalized during the construction period.

## **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.

In consultation with our engineering advisors, it was necessary to make estimates about the pace of engineering design and the pace of construction. Any delays typically result in increases in cost.

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 WSTP will be 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. The Risk Register is reviewed and updated regularly by the WSTP.

## Appendix D - Funding

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

1) Funding for the NEWPCC Upgrade is as follows:

NEWPCC Upgrade (in \$millions)	Total Cost	Funded to Date		Funding Pending		Total Funding		City Share of Costs
		Canada	Manitoba	Canada	Manitoba	Canada	Manitoba	
Power Supply and Headworks Facilities <sup>1</sup>	\$ 408.38	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 408.38
Funding Dependent								
Biosolids Facilities	552.71	-	-	-	-	-	-	\$ -
Nutrient Removal Facilities	828.06							\$ -
<b>Estimated Program Costs</b>	<b>\$ 1,789.15</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 408.38</b>

<sup>1</sup> To date Council has approved NEWPCC Upgrade budget for Power Supply and Headworks Facilities only.

<sup>2</sup> On September 26, 2019 Council approved NEWPCC Upgrade Biosolids Facility \$522.71, conditional on government funding. Nutrient Removal budget is pending Council Approval.

Federal/Provincial funding applications have been submitted for Headworks and Biosolids Facilities but have not been approved to date.

2) Funding from other levels of government 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	Canada	Manitoba	
WEWPCC Biological Nutrient Removal <sup>1</sup>	\$ 33.23	\$ 5.07	\$ 8.19			\$ 5.07	\$ 8.19	\$ 19.97
NEWPCC Centrate and UV Disinfection <sup>1</sup>	52.08	5.59	14.54			5.59	14.54	31.95
SEWPCC Nutrient Removal/Expansion <sup>2</sup>	335.60	37.04	49.52	5.30	1.10	42.34	50.62	242.64
NEWPCC Power Supply and Headworks	408.38	-	-	-	-	-	-	408.38
NEWPCC Biosolids	552.71	-	-	-	-	-	-	-
NEWPCC Nutrient Removal	828.06							-
<b>Estimated Program Costs</b>	<b>\$ 2,210.06</b>	<b>\$ 47.70</b>	<b>\$ 72.25</b>	<b>\$ 5.30</b>	<b>\$ 1.10</b>	<b>\$ 53.00</b>	<b>\$ 73.35</b>	<b>\$ 702.94</b>

<sup>1</sup> WEWPCC Biological Nutrient Removal and NEWPCC Centrate and UV Disinfection have been completed.

<sup>2</sup> \$33.54 of the \$195 million, committed by the Province of Manitoba for upgrade of all three wastewater treatment plants in the 2007 Throne Speech, has been received and is proposed to be applied to the SEWPCC subject to Provincial approval.