



**STAFF REPORT
ACTION REQUIRED**

**Purchase Order Amendment
Highland Creek Treatment Plant Effluent Waterline
Upgrades**

Date:	September 26, 2008
To:	Public Works and Infrastructure Committee
From:	General Manager, Toronto Water Acting Director, Purchasing & Materials Management Division
Wards:	Ward 44 – Scarborough East
Reference Number:	P:\2008\Cluster B\TW\pw08016

SUMMARY

The purpose of this report is to request authority to amend Purchase Order 6024446 to upgrade and rehabilitate existing effluent waterlines and storage tanks at the Highland Creek Wastewater Treatment Plant.

RECOMMENDATIONS

The General Manager of Toronto Water and the Acting Director of Purchasing and Materials Management recommend that:

1. City Council grant authority for the reallocation of funds in the amount of \$600,000.00 net of GST to the Highland Creek Treatment Plant Effluent Waterline Upgrades project as follows: \$600,000.00 net of GST from CWW030-04 RAS Motors & VFDs to CWW036-04 Effluent Pumping Station.
2. Subject to approval of Recommendation 1, purchase order 6024446 with Torbear Contracting Inc. be increased by \$600,000.00 net of GST to a new total value of \$4,335,458.00 net of GST.

Financial Impact

The total potential purchase order amendment identified in this report is \$630,000.00 including all applicable taxes and charges. The total new purchase order amendment cost to the City is \$600,000.00 net of GST. The total new contract value with Torbear Contracting Inc. is increased from \$3,735,458.00 to \$4,335,458.00 all net of GST. The amendment requires additional cash flows that will be funded in 2008 from the recommended fund reallocation as referenced below.

Originating Account	To Account	2008 (net of GST)
CWW030-04 RAS Motors & VFDs	CWW036-04 Effluent Pumping Station	\$600,000.00

The Deputy City Manager and Chief Financial Officer has reviewed this report and agrees with the financial impact information.

DECISION HISTORY

On December 19, 2007, the Bid Committee approved the recommendation contained in the December 6, 2007 report for authority to award a purchase order for Tender 231-2007, Contract WP-TW-WOS-MCP-07-0004 to Torbear Contracting Inc. resulting in the issuance of Purchase Order No. 6024446. Below is the link to the report and the Bid Committee's decision:

<http://www.toronto.ca/legdocs/2007/agendas/committees/bd/bd071219/it002.pdf>

On August 18, 2008, Purchase Order 6024446 was amended under the authority of the General Manager of Toronto Water and the City Manager in the amount of \$500,000.00 increasing the contract value from \$3,235,458.00 to \$3,735,458.00 all net of GST.

ISSUE BACKGROUND

The total estimated value pertaining to Contract WP-TW-TWOS-MCP-07-0004 must be amended so that the project can be completed in a manner that does not jeopardize the treatment process at the Highland Creek Wastewater Treatment Plant and to ensure the plant remains compliant with the Certificate of Approval as issued by the Ministry of the Environment (MOE).

Combustion gases from the treatment process at the plant must be cleaned and cooled before discharge to the environment by passing through gas scrubber towers using effluent water spray nozzles to remove contaminants. The plant was constructed to use effluent water (sewage water that has been fully treated at the wastewater plant) to conserve drinking water and reduce operating costs.

Failure to supply effluent water to the scrubber towers will cause a discharge of gas contaminants exceeding MOE discharge limits. The supply of adequate effluent water to the scrubber towers is therefore critical to meeting all regulatory requirements.

The contract for effluent waterline upgrades at the Highland Creek Treatment Plant includes new effluent water pipelines and refurbishment of two old out-of-service digester tanks to serve as new effluent storage tanks. As both digester tanks were in an abandoned condition for several years and filled with biosolids, their condition did not allow a detailed evaluation of the required restoration work or the volume of biosolids to be removed.

Due to the extremely compacted condition of the biosolids in the old digesters, the contractor was required to use significantly more effort and effluent water to dilute the material so it could be removed. This resulted in extra costs for cleaning the digesters and a greater volume of biosolids that had to be sent to landfill. The additional cost of \$500,000.00 net of GST is above the original provisional allowance of \$100,000.00 net of GST stipulated in the contract. Purchase Order 6024446 was amended under the authority of the General Manager of Toronto Water and the City Manager in the amount of \$500,000.00 increasing the contract value from \$3,235,458.00 to \$3,735,458.00 all net of GST to pay for the additional work on a priority basis so as not to delay completion of the contract and thereby lead to additional claims from the contractor.

COMMENTS

The second purchase order amendment is required to complete the restoration of the critical effluent supply system back to a reliable and secure condition. The proposed second amendment to Purchase Order 6024446 is recommended to be \$600,000.00 broken down as follows:

- An additional \$375,000.00 net of GST to repair unforeseen cracks and other deficiencies to the walls and floors of Digester Tanks No. 1 and 2 and the Control Building. The deficiencies were found after cleaning and detailed inspections of all internal structures were completed; and
- An additional amount of \$225,000.00 net of GST above the original Contingency Allowance of \$200,000.00 net of GST to ensure sufficient funds to complete the contract given the ongoing complications of completing the rehabilitation work. The total Contingency Allowance for this project will be \$425,000.00 net of GST which does not exceed the common practice of including a minimum 10% contingency to all tendered projects.

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SIGNATURE

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