



**STAFF REPORT  
ACTION REQUIRED**

**Purchase Order Amendment - Supply of Electrical Parts and Services for Purchase Orders 47011777 and 47011778**

<b>Date:</b>	December 4, 2009
<b>To:</b>	Public Works & Infrastructure Committee
<b>From:</b>	General Manager, Toronto Water Director, Purchasing and Materials Management Division
<b>Wards:</b>	All
<b>Reference Number:</b>	P:/2009/Internal Services/pmmd/pw09034pmmd (AFS #10839)

**SUMMARY**

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The purpose of this report is to request authority to amend Purchase Order 47011777 and 47011778 for the supply of electrical parts and services and to extend the expiration date of both to March 31, 2010. The total amount requested for 47011777 is \$1,500,000 net of GST, revising the current contract value from \$2,979,628.11 to \$4,479,628.11 net of GST. The total amount requested for 47011778 is \$800,000 net of GST, revising the current contract value from \$2,979,628.11 to \$3,779,628.11 net of GST.

The required quantities of various parts and services have increased due to revisions to the Electrical Safety Code. The revisions have increased the cost of meeting minimum mandatory safety requirements as well as the need for more frequent and extensive repairs to the aging electrical systems.

The extensions will enable Toronto Water to continue to perform critical repairs until March 31, 2010, at which time it is anticipated that new contracts will have been awarded through a Request for Quotation (RFQ) process currently underway.

**RECOMMENDATIONS**

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The General Manager of Toronto Water and the Director of Purchasing and Materials Managements recommend that Public Works and Infrastructure Committee grant authority to:

1. Amend Purchase Order 47011777 for the supply of electrical parts and services with Ainsworth Inc. by an additional amount of \$1,500,000 net of GST, revising the current contract value from \$2,979,628.11 to \$4,479,628.11 net of GST and extend the expiry date to March 31, 2010.
2. Amend Purchase Order 47011778 for the supply of electrical parts and services with Trademark Industrial Inc. by an additional amount of \$800,000 net of GST, revising the current contract value from \$2,979,628.11 to \$3,779,628.11 net of GST and extend the expiry date to March 31, 2010.

## **FINANCIAL IMPACT**

The amendment for an additional \$1,500,000.00 net of GST increases the current value with Ainsworth Inc. from \$2,979,628.11 to \$4,479,628.11 net of GST. The amendment for an additional amount of \$800,000 net of GST will increase the current value of contract with Trade Mark Industrial Inc. from \$2,979,628.11 to \$3,779,628.11 net of GST. Funding is available in the approved 2010 Toronto Water Operating Budget in various accounts as follows: WW100 Wastewater Treatment, WW600 Operational Support and PW100 Water Treatment & Supply.

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

## **BACKGROUND INFORMATION**

The contracts with Ainsworth Inc. (47011777) and Trade Mark Industrial Inc. (47011778), were awarded through RFQ 1210-06-0059, and approved at the Bid Committee meeting of July 5, 2006. Contract terms were for the period July 13, 2006 to December 31, 2007 with the option to renew for two (2) additional one year periods. The scope of work included the supply of numerous types and sizes of electric motors and variable frequency drives as well as other electrical repair services for various Toronto Water facilities.

The value of each contract over the initial term was \$1,156,789.84. The two (2) one year renewal options were exercised and each contract was increased by a total of \$1,457,732.81 for revised contract values of \$2,614,522.65. Due to an increased demand for services, each contract was further amended on May 15, 2009 by \$365,105.46 net of GST, resulting in revised contract values of \$ 2,979,628.11, net of GST.

## **COMMENTS**

When the original estimates were prepared in 2006, the exact requirements for each contract could not be quantified due to the age and condition of the electrical systems and the variety of work involved. Since then, the requirements and scope of electrical work have been better defined and staff are preparing long term capital plans to replace and upgrade the aging infrastructure. This information is being used in the preparation of a new RFQ for further electrical services for the 2010 to 2012 term.

The conditions which have contributed to the increased cost are:

- a) Revisions to the Electrical Safety Code have increased the cost to meet minimum mandatory safety requirements.
- b) Replacement parts for aging machinery and equipment were more costly than expected.
- c) Aging electrical systems require more frequent and extensive repairs than originally anticipated.

The requested amounts are for the payment of outstanding invoices in the amount of \$1,562,308.06 for services already delivered and \$737,691.94 for additional services that will be required as a result of the requested extensions to both contracts until the new contracts are in place. The extension to the open contracts will enable Toronto Water to continue to perform critical electrical repairs until March 31, 2010, at which time it is anticipated that new contracts will have been awarded through the RFQ process currently underway.

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## SIGNATURE

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