

**REPORT TO REGIONAL WATER SUPPLY COMMISSION
MEETING OF WEDNESDAY, JUNE 19, 2024**

SUBJECT **Recommendation to Award Contract No. 2024-948, Goldstream Water Treatment Plant Ultraviolet and Controls Upgrade Project**

ISSUE SUMMARY

To seek approval from the Regional Water Supply (RWS) Commission to award Contract 2024-948 for the Goldstream Water Treatment Plant Ultraviolet (UV) and Controls Upgrade Project.

BACKGROUND

The Goldstream Water Treatment Plant consists of four main process buildings and treats an average of 130 million litres per day (MLD) to provide drinking water to nearly 400,000 people. The treatment process consists of UV disinfection followed by chloramination.

The RWS Five-Year Capital Plan includes capital project #18-07 – Replacement of UV System. This work is required as the current UV system is at end of life and operating with lower energy efficiency than more modern equipment. Capital Regional District (CRD) staff have been managing this project and are prepared to proceed with a contract to complete the final construction and integration efforts. Table 1 provides a high-level summary of some key project milestones.

Table 1 - Project Milestones

| Milestone | Completion Date |
|---|--------------------------------|
| Condition Assessment and Options Analysis - Consultant Contract Execution (awarded to Stantec Consulting Ltd.) | August 2019 |
| Condition Assessment and Options Analysis – Final Report | November 2020 |
| Detailed Design & Construction Services – Consultant Contract Execution (awarded to Associated Engineering B.C. Ltd.) | September 2021 |
| UV Equipment Supply – Contract Execution following RFP process (awarded to Trojan Technologies Group ULC) | May 2023 |
| UV Installation and Controls Upgrades – RFP Closing | May 2024 |
| CRD staff seek RWS Commission Approval to Award Contract for Installation and Integration works | June 19, 2024 (Pending) |
| Target Project Completion | Q2 2025 (Pending) |

The UV replacement project also includes significant controls upgrades that will impact the entire water treatment plant. Given the complexities of the programming, integration and commissioning, and tight timelines dictated by the requirement to limit work to the low water demand period, CRD undertook a Request for Proposal (RFP) procurement method to ensure emphasis was being placed on Key Individuals being proposed to the project team. RFP#2024-948 – Goldstream Water Treatment Plant UV and Controls Upgrade Project, was issued on April 9, 2024 and closed on May 22, 2024. Despite a fair turnout at the pre-bid meeting, several companies combined on this pursuit and ultimately, only a single proposal was received. The single submission was

received from Industra Construction Corp. (“ICC”) and fees exceeded pre-bid estimates and available budget. CRD and Associated Engineering (AE) conducted a detailed review of the proposal and determined that the proposed project team was deemed to have sufficient understanding and experience to carry out the work. As permitted by the terms of the RFP document, CRD and AE entered into negotiations with ICC to look for potential opportunities for cost savings. Negotiations were conducted in a collaborative nature that allowed for dialogue on some of the uncertainty risk that ICC had needed to price into their bid. While the price reduction was spread over several items, some examples of considerable savings include:

- softening of liquidated damages clauses that could allow the option for a portion of work to be delayed to the subsequent year, if required, without penalty to ICC or CRD;
- ICC reviewing the project with their subcontractors to find efficiencies in managing the tasks of the various sub-trades;
- ICC changing of the nominated commissioning manager previously provided; and
- CRD removing a scope item for refurbishment of various valves after discussions revealed that this scope was actually resulting in greater schedule risk than intended for assets that would still not be “new” upon completion.

These negotiations ultimately resulted in a revised proposal that is within the available budget for this project while still meeting the overall project intent. The original bid and revised price are outlined in Table 2.

Table 2 - Procurement Bid Pricing

| Proposal Submission | Bid Amount (excl. GST) |
|---|-------------------------------|
| Industra Construction Corp. – Original Submission | \$ 8,683,626.47 |
| Industra Construction Corp. – Revised Submission | \$ 6,985,946.58 |

With a price reduction of \$1,697,679.89 (20% of original submission price), CRD and AE held a subsequent review meeting and agreed that the best option is to proceed to recommend award of this contract. The revised pricing would allow the project to proceed within the existing budget while still retaining some contingency funds to manage unforeseen conditions and potential cost overruns on any of the various contracts. The revised submission is within the allocated construction budget of \$7.6 million*.

As the delegated signing authority limit for the Chief Administrative Officer is \$5 million, the Commission’s approval to award the contract is required.

*Decommissioning of the existing Chlorine Gas System were included in the scope of this project so funding from RWS Capital Project #21-09 would be allocated toward this Construction Contract.

ALTERNATIVES

Alternative 1

1. That Contract 2024-948 – Goldstream Water Treatment Plant Ultraviolet and Controls Upgrades, be awarded to Industra Construction Corp. for an amount of \$6,985,946.58 (excluding GST); and
2. That staff be authorized to award up to an additional \$600,000 if required during the execution of the project.

Alternative 2

That Contract 2024-948 – Goldstream Water Treatment Plant Ultraviolet and Controls Upgrades, not be awarded and that staff cancel or retender the project.

IMPLICATIONS

Financial & Service Delivery Implications

The total approved budget for this multi-year project is \$11.5 million, with \$10.4 million identified in the 2024 Capital Plan to be spent this year. To date, actual expenses and existing commitments on this project total \$3.6 million. As such, alternative 1 is within the approved plan.

CRD staff could cancel this RFP and repackage the work in order to try to attract a larger number of competitive bids. While this option could potentially result in cost savings, it is not a guarantee and could result in additional project risks. Further delays in securing a contract for these services would likely result in missing the low water demand period from fall 2024 to spring 2025, meaning the project would be delayed by a year and subject to further market escalation. Given that the UV equipment is already in fabrication, cancellation would also require interim storage of this equipment which would require coordination to minimize storage costs and to mitigate potential warranty period implications for this equipment. Furthermore, the nature of this work requires a specialized team, which ICC has put together for this project. Rescoping the work in pursuit of a lower bid could result in the unintended consequences of a less qualified team being awarded the project, which would place greater risk on the project delivery, operations and potentially result in larger future costs.

Climate Change Implications

While the primary driver for this project is for the replacement of aging equipment, the newer UV reactors will also have significant improvements in energy efficiency. Early projections indicate that as much as 1,160,000 kilowatt-hours per year of energy savings could be realized from this upgrade. While the exact energy savings will vary depending on final operating philosophy and other factors, this is a project that will have a positive impact on energy consumption and climate change. CRD is currently in discussions with BC Hydro with the hopes of being able to receive a \$200,000 Custom Project Incentive for this project.

CONCLUSION

The Goldstream Water Treatment Plant Ultraviolet and Controls Upgrades is a critical project for the Regional Water Service. While the Capital Regional District always prefers to have multiple competitive bid submissions, it is not always obtainable in the current market conditions. This project is already well underway with significant effort and cost already expended to date. The project team proposed by Industria Construction Corp. are expected to be competent and capable of completing this work. The delegated signing authority limit for the Chief Administrative Officer is \$5 million, therefore approval of the award of contract by the Regional Water Supply Commission is required.

RECOMMENDATION

1. That Contract 2024-948 – Goldstream Water Treatment Plant Ultraviolet and Controls Upgrades, be awarded to Industra Construction Corp. for an amount of \$6,985,946.58 (excluding GST); and
2. That staff be authorized to award up to an additional \$600,000 if required during the execution of the project.

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