

Saskatoon Light & Power Capital Funding Reallocation 2020

ISSUE

The purpose of this report is to provide information on Administration's review of Saskatoon Light & Power's (SL&P) capital projects and obtain approval to reallocate funding for five specific projects.

RECOMMENDATION

That the reallocation of funds between capital projects and reserve accounts, as indicated below, be approved:

1. That \$414,000 from the Electrical Distribution Extension Reserve and \$36,000 from the Electrical Distribution Replacement Reserve be allocated to Capital Project 1353-06, Equipment Upgrade and Replacement;
2. That \$115,000 from the Electrical Distribution Extension Reserve and \$385,000 from the Electrical Distribution Replacement Reserve be allocated to Capital Project 1305-01, Feeder Upgrades/Replacement;
3. That \$722,000 from the Electrical Distribution Extension Reserve and \$1,178,000 from the Electrical Distribution Replacement Reserve be allocated to Capital Project 1308-01, 15kV Conversions – Intermediate Substations;
4. That \$265,000 from the Electrical Distribution Extension Reserve and \$265,000 from the Electrical Distribution Replacement Reserve be allocated to Capital Project 736-01, Customer Upgrade and Extensions; and
5. That \$130,000 from the Electrical Distribution Extension Reserve and \$870,000 from the Electrical Distribution Replacement Reserve be allocated to Capital Project 1282-01, Steel Pole Mitigation.

BACKGROUND

SL&P performs regular reviews of its capital programs to identify those projects that have funds available for partial return or require additional funding to continue work. In 2020, a total of 17 projects were identified as either having available funding to return to reserves, or requiring additional funding. As per Policy No. C03-036, Multi-Year Business Plan and Budget Policy, projects with anticipated over-expenditures exceeding \$100,000 require City Council approval for funding reallocation. The five projects meeting this threshold are outlined in this report. There were an additional ten projects identified as having surplus funds available to be returned to source, and two projects that required funding that were below the threshold. Projects not meeting this threshold, or having an anticipated under-expenditure, will be reviewed and addressed by Administration. The result for the affected capital reserves from all funding reallocation is a net return of funds of \$4,000. A review of the reserve fund balance indicates there is sufficient funding available to accommodate these funding reallocations.

DISCUSSION/ANALYSIS

The following projects require City Council approval to fund anticipated over-expenditures as follows:

Capital Project 1353-06 – Equipment Upgrade and Replacement

Capital Project 1353-06 requires additional funding of \$450,000 in order to upgrade and replace equipment as needed. Administration recommends that funding of \$414,000 be allocated from the Electrical Distribution Extension Reserve, and \$36,000 be allocated from the Electrical Distribution Replacement Reserve to allow for planned replacement of equipment. This funding will go towards purchasing and outfitting a new cube van and cover the incremental cost to purchase an electric vehicle over a traditional vehicle for fleet replacement.

Capital Project 1305-01– Feeder Upgrades/Replacement

Capital Project 1305-01 requires additional funding of \$500,000 in order to replace the 15kV Feeder No. 5 at Avenue C Substation. Administration recommends that funding of \$115,000 be allocated from the Electrical Distribution Extension Reserve, and \$385,000 be allocated from the Electrical Distribution Replacement Reserve. The feeder replacement was not previously budgeted, and is required within the year as it is dedicated for the Water Treatment Plant.

Capital Project 1308-01 – 15kV Conversions – Intermediate Substations

Capital Project 1308-01 requires additional funding of \$1,900,000 in order to fund the 15kV conversions in the Montgomery Place neighbourhood and Avenue W and Ruth Street Substations. The Montgomery Place and Avenue W projects are ongoing with costs higher than originally estimated due to the project increase in scope. The 15kV conversion for Ruth Street Substation has been added to this project in order to partially fund decommissioning work for this substation. As part of this project, the land will be restored to residential standards and will be returned to Saskatoon Land for sale. This work was not budgeted previously. Administration recommends that \$722,000 be allocated from the Electrical Distribution Extension Reserve and \$1,178,000 be allocated from the Electrical Distribution Replacement Reserve.

Capital Project 736-01 – Customer Upgrade and Extensions

Capital Project 736-01 requires additional funding of \$530,000 in order to fund ongoing customer upgrade and extension projects. In 2019, there were more customer requests for upgrade projects than estimated. As this is an ongoing program, the funding reallocation is needed to provide upgrades for new customers in the future. Administration recommends that \$265,000 be allocated from the Electrical Distribution Extension Reserve and \$265,000 be allocated from the Electrical Distribution Replacement Reserve.

Capital Project 1282-01 – Steel Pole Mitigation

Capital Project 1282-01 requires additional funding of \$1,000,000 as the scope of the project has been expanded to include all Priority 1 and Priority 2 poles as per the 2019/2020 street light pole inspection results. Administration recommends that

\$130,000 be allocated from the Electrical Distribution Extension Reserve and \$870,000 be allocated from the Electrical Distribution Replacement Reserve.

FINANCIAL IMPLICATIONS

The Electrical Distribution Extension Reserve and the Electrical Distribution Replacement Reserve will transfer \$4,380,000 to the five projects as outlined in this report. From the remaining ten projects with anticipated under-expenditures, the Electrical Distribution Extension Reserve and the Electrical Distribution Replacement Reserve will receive \$4,384,000. This results in a net return of funds of \$4,000 to the affected capital reserves.

OTHER IMPLICATIONS

There are no privacy, legal, social, or environmental implications identified.

NEXT STEPS

Upon approval, Administration will proceed with the transfer of funds to complete the projects. Sufficient funds are available in both the Electrical Distribution Extension Reserve and the Electrical Distribution Replacement Reserve to fund all recommendations identified within this report.

Report Approval

Written by: Trista Olszewski, Accounting Coordinator II, Corporate Financial Services
Reviewed by: Trevor Bell, Director of Saskatoon Light & Power
Approved by: Angela Gardiner, General Manager, Utilities & Environment

Admin Report - Saskatoon Light & Power Capital Funding Reallocation 2020.docx