

Saskatoon Light & Power Capital Funding Reallocation 2022

ISSUE

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

RECOMMENDATION

That the Standing Policy Committee on Environment, Utilities and Corporate Services recommend to City Council that the transfer of funds, as indicated below, be approved:

1. That \$700,000 from the Electrical Distribution Replacement Reserve be allocated to Capital Program P.01296.01, Network Civil Infrastructure;
2. That \$100,000 from the Electrical Distribution Replacement Reserve be allocated to Capital Program P.01256.02, Substation Transformers;
3. That \$300,000 from the Electrical Distribution Extension Reserve be allocated to Capital Program P.01326.04, Communication Network;
4. That \$1,045,000 from the Electrical Distribution Extension Reserve be allocated to Capital Program P.01255.01, Distribution - Equipment Upgrade;
5. That \$200,000 from the Electrical Distribution Extension Reserve be allocated to Capital Program P.01281.01, Investigate New Power Supply;
6. That \$200,000 from the Electrical Distribution Replacement Reserve be allocated to Capital Program P.01286.01, Electrical Systems Planning Studies;
7. That \$1,000,000 from the Electrical Distribution Extension Reserve be allocated to Capital Program P.00736.01, Customer Connections; and
8. That \$650,000 from the Electrical Distribution Replacement Reserve be allocated to Capital Program P.001308.01, 15kV Conversion – Intermediate Substations.

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. 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.

Two programs have surplus funds available to be returned to source (totalling \$750,000) and eight programs have scope changes requiring City Council approval (totalling \$4,195,000). The result on the affected capital reserves is a net draw of \$3,445,000. A review of the reserve fund balance indicates there is sufficient funding available to accommodate these funding reallocations.

DISCUSSION/ANALYSIS

The following programs require City Council approval to provide additional funding as follows:

Capital Program P.01296.01, Network Civil Infrastructure

Capital Program P.01296.01 requires an expenditure increase of \$700,000. This program is for the replacement of one underground duct formation and the replacement of one Network Vault Roof during the 2022/2023 budget cycle. However, an inspection of the network vaults performed by BBK Engineering found that a second vault roof is in critical condition, requiring urgent replacement.

The Administration recommends that funding of \$700,000 be allocated from the Electrical Distribution Replacement Reserve to allow for sufficient funding for this program.

Capital Program P.01256.02, Substation Transformers

Capital Program P.01256.02 requires an expenditure increase of \$100,000. This program is for the upgrade of the 1st Avenue Substation transformers during the 2022/2023 budget cycle. Due to global supply chain issues, the cost of the transformers has increased over the estimated cost.

The Administration recommends that funding of \$100,000 be allocated from the Electrical Distribution Replacement Reserve to allow for sufficient funding for this program.

Capital Program P.01326.04, Communication Network

Capital Program P.01326.04 requires an expenditure increase of \$300,000. This program is for the expansion of SL&P's fibre-optic network to the Friebel and Taylor Street substations during the 2022/2023 budget cycle. Due to global supply chain issues and plans to extend the fibre-optic network to meet other corporate requirements, the cost of the fibre-optic cable and associated materials has increased over the estimated cost.

The Administration recommends that funding of \$300,000 be allocated from the Electrical Distribution Extension Reserve to allow for sufficient funding for this program.

Capital Program P.01255.01, Distribution Equipment Upgrade

Capital Program P.01255.01 requires an expenditure increase of \$1,045,000 for two components.

This first component is for the replacement of fused cut-out devices in specific areas due to premature failures. This replacement is in alignment with SL&P's asset management practice for exceptional failures on the distribution system. There is currently insufficient funding to keep pace with the work required to replace these cut-outs.

The second component was originally planned to replace existing faulted circuit indicators (FCIs) that are no longer functioning with similar technology. SL&P now intends to implement intelligent FCIs that are better able to identify a fault and communicate it to our system control system automatically. This will decrease the amount of time required to complete repairs and will improve our response times for outages.

The Administration recommends that funding of \$1,045,000 be allocated from the Electrical Distribution Extension Reserve to allow for sufficient funding for this program.

Capital Program P.01281.01, Investigate New Power Supply

Capital Program P.01281.01 requires an expenditure increase of \$200,000. This program had previous funding remaining from previous years but did not receive any additional funding in the 2022/2023 budget cycle as there were no planned activities prior to budget approval.

The Administration recommends that funding of \$200,000 be allocated from the Electrical Distribution Extension Reserve to allow for sufficient funding for this program to perform studies and research regarding potential new power supplies for the SL&P network, including a potential expansion of the Landfill Gas generation project as well as additional Solar Farm projects.

Capital Program P.01286.01, Electrical Systems Planning Studies

Capital Program P.01286.01 requires an expenditure increase of \$200,000. A distribution system planning study had previously been removed from the 2022/2023 budget cycle due to budget constraints; however, with increased funding now available within the reserves, this work can proceed as originally planned.

The Administration recommends that funding of \$200,000 be allocated from the Electrical Distribution Replacement Reserve to allow for sufficient funding for this program.

Capital Program P.00736.01, Customer Connections

Capital Program P.00736.01 requires an expenditure increase of \$1,000,000. This program was funded based on historic cost trends for the expected number of customer connections in 2022. Due to customer demand changes and global supply chain issues, the cost of materials has increased dramatically.

The Administration recommends that funding of \$1,000,000 be allocated from the Electrical Distribution Extension Reserve to allow for sufficient funding for this program.

Capital Program P.01308.01, 15 KV Voltage Conversion – Intermediate Substations

Capital Program P.01308.01 requires an expected expenditure increase of \$650,000. This program was funded for the 2022/2023 budget to maintain the established program. This program provides funding to address asset management plans

specifically for the areas with intermediate substations. Due to global supply chain issues, prices have increased dramatically over the estimated cost in 2021.

The Administration recommends that funding of \$650,000 be allocated from the Electrical Distribution Replacement Reserve to allow for sufficient funding for this program.

FINANCIAL IMPLICATIONS

The Electrical Distribution Extension Reserve will transfer \$2,545,000.00 and the Electrical Distribution Replacement Reserve will transfer \$1,650,000.00 to the eight projects as outlined in this report. From the remaining two projects with anticipated under-expenditures, the Electrical Distribution Extension Reserve will receive \$750,000. This results in a net draw of \$3,445,000 to the affected capital reserves.

The balance of the Electrical Distribution Extension Reserve will be \$2,947,667.36 and the balance of the Electrical Distribution Replacement Reserve will be -\$1,794,537.51 after the reallocation. Combined, the two reserves will have a positive balance which is required under Bylaw 6774 The Capital Reserve Bylaw.

OTHER IMPLICATIONS

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

NEXT STEPS

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

Report Approval

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