

Saskatoon Light & Power Capital Funding Reallocation 2019

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 increase funding for eight specific projects.

RECOMMENDATION

That the Standing Policy Committee on Finance recommend to City Council that the transfer of funds, as indicated below, be approved:

- 1) That \$56,031.55 from the Electrical Distribution Extension Reserve and \$47,411.32 from the Electrical Distribution Replacement Reserve be allocated to Capital Project 1308-02, Varsity View Conversion – 14th Street;
- 2) That \$236,196.46 from the Electrical Distribution Extension Reserve be allocated to Capital Project 722-04, Kenderdine Rd. – Attridge to Ag Station;
- 3) That \$107,291.36 from the Electrical Distribution Extension Reserve be allocated to Capital Project 2305, Landfill Gas Energy;
- 4) That \$316,561.08 from the Electrical Distribution Extension Reserve be allocated to Capital Project 1174-06, Street Lighting – Hampton Village;
- 5) That \$251,893.72 from the Electrical Distribution Extension Reserve and \$116,749.22 from the Electrical Distribution Replacement Reserve be allocated to Capital Project 1174-02 Street Lighting – Stonebridge;
- 6) That \$458,157.73 from the Electrical Distribution Extension Reserve be allocated to Capital Project 1174-03, Street Lighting – Willowgrove;
- 7) That \$59,320.39 from the Electrical Distribution Extension Reserve and \$59,320.38 from the Electrical Distribution Replacement Reserve be allocated to Capital Project 812-03, GIS Implementation; and
- 8) That \$672,960.79 from the Electrical Distribution Extension Reserve be allocated to Capital Project 1174-07, Street Lighting – Evergreen.

BACKGROUND

SL&P performs an annual review of its capital programs to identify those projects that have been completed or have funds available for partial return. In 2019, a total of 15 projects were identified as ready for closure, with seven projects having surplus funds available to be returned to source and eight projects being overspent by the threshold requiring City Council approval. The result on the affected capital reserves is a net draw of \$255,424.32. A review of the reserve fund balance indicates there is sufficient funding available to accommodate these project closures.

DISCUSSION/ANALYSIS

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

Capital Project 1308-02 – Varsity View Conversion – 14th Street

Capital Project 1308-02 (G/L 13-593) has an over expenditure of \$103,442.87. This project was for voltage conversion as a means of providing additional system capacity within the same equipment footprint. While increasing system capacity, the conversion also reduces energy losses along the line due to the higher voltage.

Conversion in the Varsity View neighbourhood was based on a multi-phased project plan over multiple years. The scope of work was accelerated in 2017 to coordinate with infill development in the area and meet customer needs.

Administration recommends that funding of \$56,031.55 be allocated from the Electrical Distribution Extension Reserve, and \$47,411.32 be allocated from the Electrical Distribution Replacement Reserve to allow for closure of this project.

Capital Project 722-04 – Kenderdine Road – Attridge to Ag Station

Capital Project 722-04 (G/L 13-581) has an over expenditure of \$236,196.46. This project included the installation of a medium voltage feeder to provide service and redundancy for the Evergreen neighborhood along Kenderdine Road.

During construction, it was determined that underground construction would be necessary in three locations. This resulted in higher than expected construction costs as the budget was based on overhead construction costs.

Administration is recommending that funding from the Electrical Distribution Extension Reserve in the amount of \$236,196.46 be allocated to allow for closure of this project.

Capital Project 2305 – Landfill Gas Energy

Capital Project 2305 (G/L 13-660 & 17-874) was for the construction of the Landfill Gas Energy facility. The facility captures landfill gas which is used to generate electrical energy and sold to SaskPower. This project has an over expenditure of \$107,291.36 on a total project cost of \$15,865,580.95.

Administration is recommending that funding from the Electrical Distribution Extension Reserve in the amount of \$107,291.36 be allocated to allow for closure of this project. Profits from the Landfill Gas Facility will be used to pay back this over expenditure in future years, as per the original funding plan.

Capital Project 1174-06 – Street Lighting – Hampton Village

Capital Project 1174-06 (G/L 13-864) has a net over expenditure of \$316,561.08. This project involved the installation of street lighting in all phases of the Hampton Village neighborhood.

As construction progressed, more street lights were incorporated within the Hampton Village development than were in the original design. This issue required temporary lighting costs, resulting in increased unrecoverable costs for this project.

Administration recommends that funding of \$316,561.08 be allocated from the Electrical Distribution Extension Reserve to allow for closure of this project.

Capital Project 1174-02 – Street Lighting – Stonebridge

Capital Project 1174-02 (G/L 13-871) has a net over expenditure of \$368,642.94. This project involved the installation of street lighting in all phases of the Stonebridge neighborhood.

Additional costs were incurred for this project as a result of the rapid pace of development in the area. Some street lighting installations were not completed until after property developments occurred, so cables had to be installed underneath existing driveways and sidewalks, which increased construction costs.

Administration recommends that funding of \$251,893.72 be allocated from the Electrical Distribution Extension Reserve, and \$116,749.22 be allocated from the Electrical Distribution Replacement Reserve to allow for closure of this project.

Capital Project 1174-03 – Street Lighting – Willowgrove

Capital Project 1174-03 (G/L 13-865) has a net over expenditure of \$458,157.73. This project involved the installation of street lighting in all phases of the Willowgrove neighborhood.

The majority of the installations of neighborhood street lighting occurred predominantly in the winter time, resulting in higher than expected labour costs. As well, a staffing shortage of qualified tradesmen led to higher than expected overtime costs.

Administration recommends that funding of \$458,157.73 be allocated from the Electrical Distribution Extension Reserve to allow for closure of this project.

Capital Project 812-03 – GIS Implementation

Capital Project 812-03 (G/L 13-634) has a net over expenditure of \$118,640.77. This project is for conversion of the electrical system maps into a Geographic Information System (GIS). A system model was established and data was entered into the model prior to its use as a mapping system.

During the course of this project, the software vendor implemented software upgrades that required a significant reconstruction of the system model that was not anticipated in the original project estimates. Much of the work needed to be completed was on overtime in order to maintain required timelines and operational requirements.

Administration recommends that funding of \$59,320.39 be allocated from the Electrical Distribution Extension Reserve, and \$59,320.38 be allocated from the Electrical Distribution Replacement Reserve to allow for closure of this project.

Capital Project 1174-07 – Street Lighting – Evergreen

Capital Project 1174-07 (G/L 13-889) has a net over expenditure of \$672,960.79. This project involved the installation of street lighting in all phases of the Evergreen neighborhood.

Factors causing increased costs within this project include increased trenching and directional drilling costs due to the number of large rocks encountered in this area, increased labour rates over the duration of the project, and increased winter work as site accessibility schedules were altered or compressed.

Administration recommends that funding of \$672,960.79 be allocated from the Electrical Distribution Extension Reserve to allow for closure of this project.

NEXT STEPS

Upon approval, Administration will proceed with the transfer of funds and close these 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

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