

**CORPORATE SERVICES**

2201 St. David's Road, P.O. Box 1042, Thorold, ON L2V 4T7  
 Tel: 905-685-1571 Toll-free: 1800-263-7215 Fax 905-68208521  
 www.regional.niagara.on.ca

<b>Date:</b>	24 January 2012		
<b>To:</b>	All Proponents		
<b>Re:</b>	<b>2011-RFP-92 Consulting Services for the Water and wastewater Review Niagara Region.</b>		
<b>From:</b>	Dan Augustine	Telephone:	905-685-4225, ext. 3470

**ADDENDUM # 1**

Following is a list of questions received to date, and the corresponding answers:

**Question 1** - The RFP asks the consultant to evaluate "alternative service delivery" models. Are we correct in assuming that the primary alternative service delivery model that should be evaluated is one in which there is a single water and waste water utility that is operated on a consolidated basis by the Region? Are there any other alternative service delivery models that should be evaluated?

**Answer 1** Identification and review of alternative service delivery models is a key deliverable of the undertaking. Any assumption that an operation on a consolidated basis solely by the Region is incorrect.

**Question 2** - In assessing RFP responses, how will the Region evaluate the criterion "past performance record (budget, schedule, & project success.)"? In particular, how will it evaluate this criterion for consultants who have not recently provided similar services to the Region?

**Answer 2** As noted in the Description this criteria relates to the feasibility of the Project Team to deliver the Work Plan within an acceptable timeframe. Submissions will be reviewed based on this description.

**Question 3** - Item (1f) of the Financial Review asks the Consultant to identify the impact to each municipality of each alternative service delivery model. In identifying impacts, are we only to identify impacts to each local municipal corporation, or are we also to identify impacts to the water ratepayers in each municipality? Impacts to ratepayers may result, for example, from harmonization of rates across the Region.

In evaluating a consolidated model, are we to assume that retail rates to retail water consumers in the Region are to be harmonized?

**Answer 3** It is necessary to identify potential impacts to ratepayers. This would be considered an integral part of the SWOT analysis of potential Operating Models and of significant interest to the Stakeholder Municipalities.

"Harmonization" is one of many considerations that will be necessary as part of the Review.

**Question 4** - In providing water and wastewater services to local municipalities, does the Region currently charge a uniform rate to all municipalities, or a rate that varies depending on the cost of servicing each municipality? If the latter, is the intent in moving to a consolidated regional utility that wholesale rates used to allocate costs to the services in local municipalities be moved to a harmonized basis?

**Answer 4** The Region charges a uniform water rate to all municipalities plus fixed requisitions. The current methodology includes a 25% fixed water charge with 75% variable water rate. Wastewater cost recovery is a 100% fixed requisition.

**Question 5** - Item 1f of the Financial Review states that consideration should be given “as to how the existing reserve and reserve funds, debt, revenue and capital needs of each municipality should be provided”. Can we assume that this item refers, among other things, to the disposition of reserve funds currently held by each municipality in respect of their water assets? Does the Region have any views on the options that should be considered with respect to these reserve funds? Similarly, is the reference to debt with respect to existing debt held by each municipality or only to future debt?

Item iv) of the section “Deliverables” notes that this study may identify the need for future reviews and studies to be undertaken for a future Phase 2 engagement. As examples of potential future studies that could be scoped as part of this study, Item

iv) includes:

- a) “How would existing debt for each municipality be treated?”
- b) “How will customers be billed? Would uniform rates be appropriate?”

In light of the fact that issues concerning the treatment of municipal debt and the potential for rate harmonization are envisaged to be the subject of potential additional reviews in the future, what assumptions with respect to these issues should be taken for the purpose of this study, and how much analysis should be done of different options associated with existing debt and rate harmonization?

**Answer 5** Note page 5, Regional Council resolution that “Reserves and reserve funds for each municipality will be used for work in the contributing municipality – maintaining and improving infrastructure and service delivery.” It shall be assumed that the infrastructure implied is water and wastewater infrastructure. As this is a resolution of Council, it reflects the Region’s view.

Regarding “debt – existing or future”:

The consultant shall give consideration to both existing and proposed future debt.

Regarding “Future studies”:

It is anticipated that assumptions (including different assumptions for different options) would be an integral part of the Review. Should one or more option presented in the Review be of interest to the stakeholder municipalities for consideration of implementation then it is anticipated that there will be some aspects that will require further detail and clarification, i.e. the rules of engagement for implementation and commissioning of option.

**Question 6** - Item ii) of the section “Deliverables” asks to identify potential savings and additional costs. The identification of savings is also implicit in item 2.f) of the operational review.

When undertaking studies of potential synergy savings in the event of a consolidation process, one approach is to involve representatives of the participating organizations in a collaborative process to estimate the potential for such savings, based on detailed discussions with operating staff. However, in the case of this study, it is not clear that individual municipalities intend to allocate staff resources to such a process nor that they have taken a decision to actively participate in the completion of the study. Can the Region provide any comment as to what its expectations are with respect to the nature of involvement by lower-tier municipalities in the estimation of cost savings or the nature of the supporting analysis? For example, is the intent of this review simply to provide initial estimates of savings based on desk analyses of the information collected, or to provide more in-depth analysis in conjunction with operating staff.

**Answer 6** Please reference page 19. Participation of local municipalities will be at discretion and available time of local municipalities. Sole desk top analysis is not the intent of the undertaking. Best efforts must be made to involve local municipalities and all estimates and assumptions must be reviewed with the affected Municipality and Task Force prior to inclusion in the report.

**Question 7** - What depth of analysis is envisaged for the elements outlined in Section 2 – Operational Review? For example, item 2 g) asks us to review “Technology status and approach including system control, computer models, SCADA operation and operational logistics such as maintenance programs and work order controls”. What is the required output of our analysis of these items?

**Answer 7** It is anticipated that technical knowledge and water and wastewater operating knowledge will be included within the consulting team.

**Question 8** - When does the Region require a Final Report as a result of this engagement? What are the Region’s expectations with respect to the timing of the work?

**Answer 8** It is anticipated that each proposal will include work plans outlining expected timing needs, but given the amount of data collection and consultation with the multiple stakeholders it is not expected that this review will be finalized in 2012.

**Question 9** - Has the Region established a budget for this engagement? If so, what is it? If the Region has not established a budget limit, does the Region have expectations with respect to the level of resources that will be required (e.g. consulting person-days)?

**Answer 9** The Region has included an upset amount of \$600,000 in its 2012 budget to undertake this Review.

**Question 10** - Can you please provide clarity as to differences between Financial Review items (a.), (b.), and (k).? Are you requiring the review to include the preparation of consolidated historical financial statements on a pro-forma basis as if the Region plus 11 LAM were operating as one? Since this seems to be the requirement of part (b.) what is the specific requirement of part (a.)?

Part (a) notes that the consultant is to review various data and reports, including SDWA Financial Plans, FIR’s, and PSAB reports. Does part (a.) simply require the review to include consideration of all of these reports or is something more specific intended? If something more specific is intended, please expand on this requirement.

Please expand on part (k.).

**Answer 10** Part a) is intended to indicate that the successful proponent is expected to collect and analyze the financial position of the individual Regional and Local municipal water & wastewater systems. Part b) requires a consolidation analysis of these individual systems. Part k) involves a consolidation analysis specific to capital, extending on the capital investment outlook outlined in section j).

**Question 11** - Page 20 of the RFP 2011-RFP-92 provides a list of data that was requested from local municipalities in March 2011. The RFP also indicates that “information received will be available for viewing prior to submission.” We assume that this means prior to submission of our proposal response.

**Answer 11** See attached table which is intended to provide an overview of the data received. The original documents received will be provided to the successful proponent.

**Question 12** - Financial review sections a, b and c: Has any consolidation work been previously undertaken by the Region?

**Answer 12** There has been no consolidation work recently. Previous studies would not reflect current nor projected outlooks.

**Question 13** - Financial review section j (ii): The term value has a number of different meanings, therefore please describe the Region’s understanding of, and intent behind, a valuation?

**Answer 13** Valuations are intended to support the review of items such as current financial position, reinvestment levels, current funding gaps and remaining useful lives, and should be measured accordingly based on industry standard and best practices, as well as on the information available.

**Question 14** - The proposal states that there will be a minimum of five presentations to the Task Force and three meetings to each of the Public Works Officials and Area Treasurers. Can the Region provide an indication of timeline for these events? Does the Region have a date in mind as a deadline?

**Answer 14.** Given the amount of data collection and consultation with the multiple stakeholders it is not expected that this review will be finalized in 2012.

**Question 15** - In regard to Preparation & Submission of Proposals, section vi) please clarify the number of meetings with Area Treasurers & PWO (i.e. 3 each or 3 total)?

**Answer 15** Provide minimum of six meetings.

  
Dan Augustine, Purchasing Services

c. File # 2011-RFP-92

	Fort Erie	Grimsby	Lincoln
a) 2010 Retail Price (M/3)	2010 Water rate - \$22.77 fixed and \$1.009/m <sup>3</sup> 2010 WW rate - \$35.52 fixed and \$1.030 /m <sup>3</sup> (see bylaw provided for meter sizes rates)	Water Retail price - \$1.02	10 year historical rates provided, only showing 2010 here: Water - \$1.798/m <sup>3</sup> & WW \$1.741/m <sup>3</sup>
b) Water & Wastewater Reserve per House	\$3,599,447 in reserves by 14,936 households equals \$241 per house (reserves are segregated in detail provided)	Water reserve per house - \$283.18 WW reserve per house - \$298.03	Water - \$2,847,231 over 8322 homes = \$342/house WW - \$2,825,146 over 8322 homes = \$339.48/house.
c) W&WW Capital Needs/House from 10 year forecast	2011-2016 Sewer capital is \$8.5M and Water is \$8.5M, which over 14,936 households is approx. \$1104 per house.	Water capital need per house provided annually, average is about \$88.79 per year. WW also provided annually, \$43.23 for first 6 years then \$12.97 (generally) for latter half of forecast.	Water 10 year total is \$11,585,750 , WW is \$6,686,120. His calc shows with assumed growth in homes but if you simply use current homes of 8,322 totals are \$1392/house & \$803/house
d) Annual Water Losses as a % of total volume purchases	1,313,000 m <sup>3</sup> per year of total 4,870,000m <sup>3</sup> so 27%. 300,000m <sup>3</sup> of losses identified as unauthorized consumption, meter inaccuracies and data handling error, so real loss is 1,013,000 (21%)	water losses in 2009 were 1.3% and 3.7% in 2010.	Provided all losses from 2002 to 2010, 2010 was 12.3%, which was amongst lowest. Usually was around 18% with a high of 23% in 2004.
e) Estimated % of Annual Operating costs for water and for wastewater recovered through rates	100%	Water recovered through rates in 2010 - 96.22% WW recovered through rates in 2010 - 98.64%	Water is 96% from rates in 2010, WW is 98%
f) PSAB asset valuations for water and wastewater infrastructure	Closing book value is \$60,446,020 for W&WW (breakdown is provided by high level asset classes)	values were provided in separate attachment, will have to get e-copy since hard copy omitted.	Water - \$21,791,121 closing net value WW is \$16,218,036 closing net value.

	Niagara Falls	NOTL	Pelham	Port Colborne
a) 2010 Retail Price (M/3)	Water Consumption Charge - \$0.8605/M3 WW Consumption charge - \$1.0328/m3 Fixed rates - based on meter size and split between W&WW - see rate card provided	2009 - 2011 prices provided. 2011 Rates are: Water variable - \$1.1692/m3 + fixed charge per new meter size method WW variable - \$0.8384 per m3 + fixed per new meter size method (see submission for varying fixed meter rates)	\$2.12 / m3	Sewer 2010 rate - \$1.025 per m3 (\$0.893 for industrial), plus fixed charge depending on meter size (\$300.72 per year for 15mm & 19mm, then factord for other size)  2011 rates - ww \$1.049/m3 & \$287 fixed (depending on meter size) and water of \$1.128/m3 and \$251 fixed (size dependent)  Water 2010 rates - \$1.101/m3 plus fixed charge depending on meter size of \$223 per year for 15mm and 19mm, then factored from there.
b) Water & Wastewater Reserve per House	water reserve per account - \$34.40 at Dec 31, 2010 WW reserve per account \$94 as at Dec 31, 2010	Actual 2010 YE and projected 2011 YE provided. Water 2010 YE is \$843k and WW is \$1.3M (both for capital, stabilization are currently \$0 but expected to have balance in 2011). There are 1458 customers for water only, 4551 for both W&WW, therefore 6009 total customers.	\$77.09	\$1,212,590 for water (by reserve type - details provided) \$437,910 for WW (by type)
c) W&WW Capital Needs/House from 10 year forecast	10 Year capitl forecast not completed at this time, based on historical cost of assets equals \$56M over 10 years but this is considered low.	Capital needs are \$9,714,190 for water and \$3,469,350 for WW over 10 years (annual is provided)	5 year forecast cumulative amount is \$4.87 million	Water capital for 2008-2014 is \$4,575,000 (I think, their layout is hard to follow); WW capital for 2008 to 2014 is \$5,005,246 I think.
d) Annual Water Losses as a % of total volume purchases	water loss in 2010 as % of purchases was approx. 21%	water losses were 23%, 26% and 18% in 2010, 2009 and 2008, respectively.	13%	27% per 2011 budget
e) Estimated % of Annual Operating costs for water and for wastewater recovered through rates	Operating costs funded by user charges water - \$16.2M, operating costs funded by user charges sewer - \$15.3M based on 2011 approved utility	They show 136% and 125% for WW and W, because they collected more than their net cost aftern reserve transfers.	75%	59% of water through variable rate, rest through fixed rate charges 56% of wastewater cost through useage rate, resth through fixed rate charges
f) PSAB asset valuations for water and wastewater infrastructure	PSAB Values of environmental assets at Dec 31, 2010 is \$517,851,000.	Water is \$44,688,951 and WW is \$32,606,762 as of Dec 31, 2010.	\$14,740,158 (2009)	water 2009 nbv - 13,813,340; ww 2009 14,137,253

	St. Catharines	Thorold	Welland
a) 2010 Retail Price (M/3)	water variable of \$1.106/m3 and fixed water of \$141. ww variable of \$1.349/m3 and fixed of \$78	Fixed Water charge per year - \$155.56 (per quarter = \$38.89) water consumption charge - \$1.1057 / m3 WW - 98% of water charge \$1.23M is also levied on the tax bill.	Fixed Water - \$55.55 per year Water consumption - \$1.5516/m3 Fixed WW - \$70.44 per year WW Consumption - \$2.2543/m3
b) Water & Wastewater Reserve per House	\$0 (ie no reserves)	Actual and uncommitted reserves as of Dec 31, 2010 provided, as well as household count of 7750. Reserves are also broken down by Capital (W/WW), meter replacement, and contingency (W/WW). In total, uncommitted reserves total \$3,547,000 (\$457 per house) and total reserve total \$4,565,000 (\$589 per house)	Negative reserve balance (W&WW) of (\$578,551) as of Dec 31, 2010. (\$26.86) per household using Stat can household count.
c) W&WW Capital Needs/House from 10 year forecast	water ten year needs based on 2% replacement cost of system - \$93M wW capital ten year based on 1% replacement cost - \$49M (For full figures annually see submission)	Water 10 year - \$8.095M (\$1045/house) WW 10 Year - \$13.490M (\$1741/house) based on 7750 homes	Full details provided (see 10 year plan attached to letter), but to summarize about \$92M over 10 year is total need vs \$45M in funding available. 21,543 households per stat can therefore need is approx \$4,270 per house with funding for \$2,088 per house.
d) Annual Water Losses as a % of total volume purchases	2006- 7.58%, 2007 9.14%, 2008 10.58%, 2009 13.68%, 2010 11.33% - Five year average = 8.89%	Table with all water losses as of 1995 was provided. Since 2004 range is -19.8% to 27.3%, with most falling in 22% range. 2010 was 22.0% and 2011 is projected at 22.7%. Prior to 2004 losses were between 15% and 18% since 1998, prior to then all above 20%.	27.9% water loss
e) Estimated % of Annual Operating costs for water and for wastewater recovered through rates	100%	Water - 100% WW - 70%	100%
f) PSAB asset valuations for water and wastewater infrastructure	Water 2010 Closing value - \$70.3 million WW closing 2010 balance - \$75.9M (detailed schedule provided, hard to read though so I rounded)	PSAB values as of Dec 31 2010 are \$14,633,334 for water and \$19,871,822 for wastewater after accumulated amortization.	TCA values at Dec 31, 2010 are \$33,358,021 for water and \$25,319,417 for WW (broken down by asset type in details provided)

Niagara Region  
 Data Collection from March 3 Council Request  
 Summary of Responses

	West Lincoln
a) 2010 Retail Price (M/3)	Water Consumptive Rate - \$1.07 /m3 WW consumptive Rate - \$1.34/m3 fixed base cost per meter size - see breakdown provided
b) Water & Wastewater Reserve per House	Water Reserve - \$538,092 as of Dec 31, 2010 (excl commitments) WW reserve - \$665,814 as of Dec 31, 2010 (excl. commitments) 1920 total customer accounts (res & ICI) - breakdown by type also provided.
c) W&WW Capital Needs/House from 10 year forecast	\$1.085 million over 10 years for Water per fin plan
d) Annual Water Losses as a % of total volume purchases	8.37% for the year 2010 (776k purchased less bulk sales of 177k and res/nres of 533k = 65k lost)
e) Estimated % of Annual Operating costs for water and for wastewater recovered through rates	100% of W/WW is recovered from rates (rate reserve occasionally used but not levy) Gross revenue of \$1,077,885 less purchases of 408,007, gross margin of 669,878.
f) PSAB asset valuations for water and wastewater infrastructure	water - 13,492,053 per stmt of fin position in water fin plan (2010)