



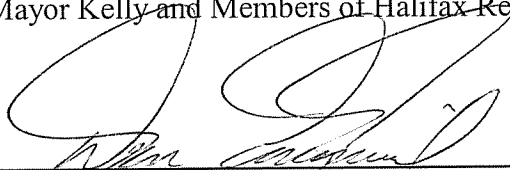
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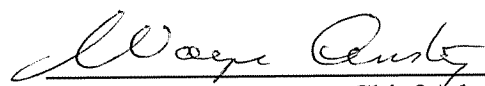
Halifax Regional Council
February 20, 2007

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:



Dan English, Chief Administrative Officer



Wayne Anstey, Deputy Chief Administrative Officer - Operations

DATE: January 18, 2007

SUBJECT: **Award - Quotation No. 2006-M-218 and 2006-M-251**
Dartmouth Natural Gas Conversions

ORIGIN

This report originates from the capital projects at Northbrook School Police Training Facility, 150 Thornhill Drive - Rapid Transit Fleet, and the Dartmouth North Community Centre in conjunction with ongoing efforts to reduce operating costs at HRM facilities.

RECOMMENDATION

It is recommended that Council award Quotations No. 2006-M-218 and 2006-M-251 with an unbudgeted withdrawal from the Capital Replacement Reserve Q130 of \$121,470 including net HST with the corresponding increase to Capital Account CBU01001 as outlined in the Budget Implications section of this report to:

1. Direct Energy for Northbrook School Police Training Facility oil-to-gas conversion for a total tender price of \$85,846 including net HST and,
2. Carmichael Engineering for Dartmouth North Community Centre oil-to-gas conversion for a total tender price of \$26,791, including net HST and,
3. that funds totalling \$18,433, including net HST, for the conversion from propane to natural gas at 150 Thornhill Drive, Rapid Transit Fleet Centre, already awarded to Carmichael Engineering, also be paid for from the Capital Replacement Reserve Q130.

BACKGROUND

HRM’s Transportation and Public Works maintains approximately 250 facilities in HRM. TPW Facility Services continually look for opportunities to improve efficiencies, while reducing maintenance costs and minimizing future Capital expenses. These would be the 2nd, 3rd and 4th TPW operated facilities converted to natural gas. TPW Facility Services have seen significant operational and cost saving benefits with the 200 Ilsley conversion.

It is recommended to use the Capital Replacement Reserve (Q130) in the form of a repayable loan from the operating savings expected from the recommended natural gas conversions. This meets the policy guidelines of this reserve;

“The intent of the reserve is to fund the replacement of existing capital assets which have reached the end of their useful life. Priority will be given to projects that support the legislated mandate of the municipality and to projects that reduce current operating costs.”

DISCUSSION

A combination of operational factors have led TPW Facility Services to identify a variety of cost savings with the conversions.

Property	Reason for conversion to natural gas	Cost Savings	
Northbrook School Police Training Facility	1. Boilers are 26 years old, with 1 not working 2. Oil tank needs to be replaced 3. With 100% occupancy, oil use is estimated to be 55,000 litre/year	Repair*	\$10,000
		New tank*	\$15,000
		Fuel Savings	\$ 3,200
150 Thornhill - Rapid Transit Fleet Centre	Existing propane use is 78,600 litres/year	Fuel Savings	\$36,000
Dartmouth North Community Centre	Oil tank needs to be replaced Oil use is 23,000 litre/year	New tank*	\$ 4,000
		Fuel Savings	\$ 1,500
Total one time capital avoidance savings*			\$29,000
Total estimated yearly fuel savings**			\$40,700

** Funds used to repay Capital Replacement Reserve Q130 over 3 years

TPW Facility Services would also note that the current Heritage Gas / Nova Scotia Department of Energy gas conversion rebate program will expire on March 31, 2007, and future opportunities to offset Capital costs might be diminished.

Request for Quotations were issued for conversion options at the facilities, to either convert equipment or replace. Bids were received from the following bidders for the three properties:

Dartmouth North Community Centre - New gas burner, new gas hot water heater

Company	Lump Sum Price (Before net HST)	Total Cost (incl. net HST)
Carmichael Engineering	\$25,903	\$26,791
Direct Energy	\$31,000	\$32,063

Northbrook School - 2 new high efficiency gas condensing boilers

Company	Lump Sum Price (Before net HST)	Total Cost (incl. net HST)
Carmichael Engineering	\$99,723	\$103,143
Direct Energy	\$83,000	\$85,846

150 Thornhill Drive - Propane to Natural Gas Conversion*

Company	Lump Sum Price (Before net HST)	Total Cost (incl. net HST)
Carmichael Engineering	\$17,822	\$18,433
Provincial Mechanical	\$25,000	\$25,857

*Due to the low conversion cost and the substantial savings to be realized this heating season by the natural gas conversion of 150 Thornhill Drive, this project has already been awarded. These substantial yearly savings are estimated at \$36,000 and are the result of the extremely high operating costs of the original propane fired heating system. However, the savings of this conversion will form a substantial part of the repayment capacity for the two other recommended conversions and therefore the costs of the conversion should be included in the total package funded from the Capital Replacement Reserve Q130 which is a repayable loan.

BUDGET IMPLICATIONS

The total cost of implementing the three natural gas conversion projects is \$131,070 including net HST.

Grant funding pending final approval¹

Heritage Gas / Nova Scotia Department of Energy Gas	
Conversion Rebate Program - Dartmouth North Community Centre	\$ 2,600
- Northbrook School	<u>\$ 7,000</u>
Total	\$ 9,600 ¹

Budget Summary:	Total Project Costs (including net HST)	\$131,070
	Proposed Funding Sources	
	Capital Account No. CBU01001 Natural Gas Conversion	\$121,470
	Heritage Gas Rebate Program ¹	\$ 9,600 ¹

The Operating Budget for utilities (Account 40347413) will be used in future years to repay approximately \$130,000 (includes 4.25% interest) to the Capital Replacement Reserve over three years. These additional operating costs will be offset by the fuel savings.

¹ Heritage Gas Rebate is an estimate, the exact amount is not known until after conversions are completed, and the recording of before & after combustion efficiency tests. Any minor adjustments required will be made to the loan withdrawal.

FINANCIAL MANAGEMENT POLICIES / BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation. If approved, this report will increase the 06/07 Capital Budget and withdrawals from Reserves.

ALTERNATIVES

Council could choose not to award the two additional gas conversion quotations. This would forego the operational and capital cost savings as current capital capacity has not been identified to carry out this work. This is **not** the recommended alternative.

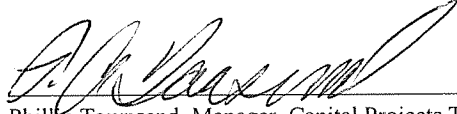
ATTACHMENTS

None

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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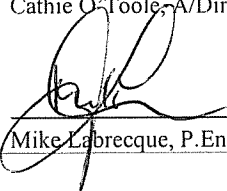
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