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**REPORT TO SAANICH PENINSULA WASTEWATER COMMISSION
MEETING OF THURSDAY, 19 NOVEMBER 2009**

SUBJECT SAANICH PENINSULA WASTEWATER TREATMENT PLANT THERMAL ENERGY RECOVERY PROJECT – BUDGET UPDATE

PURPOSE

To seek approval for staff time incurred managing the thermal energy recovery project, which is not an eligible cost under the General Strategic Priorities Fund grant, to be funded out of the Saanich Peninsula Wastewater System (SPWWS) Sewer Debt Reserve Fund.

BACKGROUND

The Capital Regional District (CRD) recognizes its responsibility to be a leader in promoting sustainability. For many years, the CRD has partnered with various levels of government and other organizations in undertaking projects and programs to maximize energy efficiency and to explore renewable energy strategies.

Since 2007, the Saanich Peninsula Wastewater Commission (the Commission) has been actively involved and supportive of the vision to recover and use waste heat energy from the treatment plant. This waste heat energy can be used to reduce natural gas consumption for heating at various facilities located nearby.

In the meeting of 21 February 2008, the Commission directed staff to submit a grant application under the Gas Tax Agreement to carry out this project. On 22 October 2008, the Gas Tax Agreement Management Committee confirmed that the Saanich Peninsula wastewater treatment plant thermal energy recovery project funding application had been approved for General Strategic Priorities Fund, which is managed by the Union of British Columbia Municipalities (UBCM). Funding grant amount approved was the lesser of \$2,989,500 or 100% of the actual eligible costs of the approved project.

Tenders for the construction of the system were received on 12 November 2009 and a recommendation for award of contract is included in another staff report on this meeting agenda. The overall project is within the budget funded under the General Strategic Priorities Fund.

In August 2009, staff submitted the first project funding claim to UBCM and were subsequently advised that, under this funding agreement, CRD staff time incurred managing the project is not an eligible expense.

This response was questioned and our rationale for inclusion of the CRD staff costs in relation to the Agreement was submitted to UBCM for reconsideration. UBCM, unfortunately, confirmed their position that staff time is not an eligible cost under the grant.

Saanich Peninsula Wastewater Commission – 19 November 2209
SPWWTP Thermal Energy Recovery Project – Budget Update
Page 2

The estimated ineligible costs to complete the project are estimated as follows:

Description	Ineligible Costs
1. Staff time included in UBCM Claim #1	\$ 20,000
2. Additional staff time incurred to date	\$ 20,000
3. Estimated remaining costs:	
• Project management	
• Programming & tying into the plant computer control system	
• System commissioning and testing	<u>\$ 60,000</u>
Total	\$100,000

ALTERNATIVES

1. That the Commission approve an allocation of \$100,000 from the SPWWS Sewer Debt Reserve Fund for the ineligible costs of this project through to completion; or
2. That the Commission direct staff not to proceed with this project further.

FINANCIAL IMPLICATIONS

The estimated ineligible costs required to complete this project is \$100,000 which could be funded out of the SPWWS Sewer Debt Reserve Fund in which there was \$897,177 remaining as of 30 October 2009.

SUMMARY

There was approximately \$20,000 of staff time included in the first claim to the UBCM. Since then, an additional \$20,000 in project management time has been incurred for a total of \$40,000. It is estimated an additional \$60,000 will be needed for project management, preparation of computer software for the new energy recovery system to tie in with the existing wastewater treatment plant control system and the system commissioning and testing phase. Since these costs are ineligible for funding under the Gas Tax Agreement, another funding source is needed.

RECOMMENDATIONS

That the Saanich Peninsula Wastewater Commission approve that the ineligible costs for completing this project be charged to the SPWWS Sewer Debt Reserve Fund, in which there was \$897,177 remaining as of 30 October 2009.

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