

<b>TO:</b>	<b>CHAIR AND MEMBERS FINANCE &amp; ADMINISTRATIVE SERVICES COMMITTEE MEETING ON JUNE 18, 2012</b>
<b>FROM:</b>	<b>JOHN BRAAM, P. ENG. ACTING EXECUTIVE DIRECTOR and CITY ENGINEER</b>
<b>SUBJECT</b>	<b>WATTSWORTH ANALYSIS INC. SINGLE SOURCE</b>

<b>RECOMMENDATION</b>
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That, on the recommendation of the Acting Executive Director and City Engineer:

- a) The proposal submitted by WattsWorth Analysis Inc., 555 Southdale Road East, Suite 201, London, Ontario N6E 1A2 for electricity and natural gas procurement strategy advice and related services at their proposed price of \$3,800 per month, HST extra **BE ACCEPTED**;
- b) Approval hereby given **BE CONDITIONAL** upon the Corporation entering into a formal contract or having a purchase order, or contract record relating to the subject matter of this approval,
- c) Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this purchase, and
- d) Due to the Single Source of this service, it will be included on the exemption list in section 9 of the Procurement of Goods and Services Policy Schedule B – Goods and /or Services NOT Subject to this Policy. This report is for complete transparency.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- Report to Board of Control April 28, 2010 “Procurement of Natural Gas”
- Report to Board of Control April 8, 2009 “Procurement of Electricity”

<b>BACKGROUND</b>
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**General Discussion**

Since 2005, WattsWorth Analysis Inc. (WattsWorth) has assisted the City of London in managing its cost of electricity by analyzing and selecting the best procurement option. Using WattsWorth’s services and advice, the City has consistently managed to achieve superior financial results against the government sponsored rate program (the Regulated Price Plan – or RPP) while still avoiding the market risk inherent with the spot market. Using this advice, the City avoided \$800,000 in electricity charges in the past 12 months alone.

Wattsworth has consistently provided high value service and expertise to City staff engaged in energy management activities, a field where the complexities of provincial energy regulations combined with energy commodity market drivers can prove to be challenging to understand.

In 2011, WattsWorth added natural gas procurement strategy to their suite of services. Given this, City staff see many benefits with the consolidation of electricity and natural gas commodity procurement strategy services under one service provider.

The City’s two largest natural gas consuming facilities are the Greenway Pollution Control Plant (\$591,000 in 2011) and Dearness Home (\$184,000 in 2011), which represent almost half of our current annual natural gas costs. After the sewage sludge dewatering equipment at Greenway is commissioned by early 2013, natural gas use at Greenway is expected to decrease by around 80 percent – a significant reduction.

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**Purchasing Process**

As per our Procurement of Goods and Service Policy, section 14.4 Single Source, item d):

*There is a need for compatibility with goods and/or services previously acquired or the required goods and/or services will be additional to similar goods and/or services being supplied under an existing contract (i.e. contract extension or renewal)*

WattsWorth Analysis Inc. has been providing electricity commodity procurement strategy services to the City of London, and with the upcoming contract renewal, there is a need to incorporate natural gas procurement with electricity procurement in order to provide a more-comprehensive and integrated energy commodity procurement strategy approach.

**Financial Impact**

Funding for this expenditure is provided for in various operating budgets.

**Acknowledgements**

This report was prepared by Jamie Skimming, P.Eng., Manager, Air Quality and Geoff Smith, CSCMP, Procurement Specialist.

<b>SUBMITTED &amp; RECOMMENDED BY:</b>	<b>REVIEWED &amp; CONCURRED BY:</b>
<b>JOHN BRAAM, P.ENG. ACTING EXECUTIVE DIRECTOR AND CITY ENGINEER</b>	<b>MARTIN HAYWARD, CITY TREASURER, CHIEF FINANCIAL OFFICER</b>

- CC:    Mike Turner, Deputy City Treasurer  
       Jay Stanford, Director, Environment, Fleet, and Solid Waste  
       Dave Mounteer, City Solicitor's Office  
       Bill Campbell, Division Manager, Facilities  
       John Freeman, Manager, Purchasing & Supply