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TO:	CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON SEPTEMBER 10, 2012
FROM:	JOHN BRAAM, P. ENG. MANAGING DIRECTOR OF ENGINEERING & CITY ENGINEER
SUBJECT:	CONTRACT AWARD: DECOMMISSIONING OF HISTORICAL PRODUCTION WELLS PROJECT No. EW3754

RECOMMENDATION

That, on the recommendation of the Managing Director of Engineering & City Engineer, the following actions **BE TAKEN** with respect to the award of contract for the Decommissioning of Historical Production Wells EW3754, namely:

- (a) the appointment of the second lowest bidder, Aardvark Drilling Inc., 25 Lewis Rd. Unit C Guelph for the 2011 Decommissioning of Historical Production Well contract, at its corrected tendered price of \$165,550.00, (excluding H.S.T.), **BE ACCEPTED**; it being noted that City is exercising the first (1) year of a three (3) year term contract (Tender No. 10-97) awarded to Aardvark Drilling Inc. that all original unit prices have been maintained;
- (b) It **BEING NOTED** that this is the first year of a three year term contract, where the City has the sole discretion to renew the contract for two additional terms based on the price and performance of the contractor;
- (c) the financing for this project **BE APPROVED** as set out in the Sources of Financing Report attached hereto as Appendix "A";
- (d) the Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this project;
- (e) the approval given herein **BE CONDITIONAL** upon the Corporation entering into a formal contract or issuing a purchase order for the material to be supplied and the work to be done relating to this project and;
- (f) the Mayor and City Clerk **BE AUTHORIZED** to execute any contract or other documents, if required, to give effect to these recommendations.

PREVIOUS REPORTS PERTINENT TO THIS MATTER
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- Board of Control October 17, 2011, Agenda Item 8 – Contract Award – Tender No. 2011 Decommissioning of Historical Production Wells Projection No. EW3754
- Board of Control August 25, 2010, Agenda Item 8 – Contract Award – Tender No. 10-97 Decommissioning of Historical Production Wells Projection No. EW3754
- Board of Control, August 26, 2009, Agenda Item 1 – Tender No. 09-44 Decommissioning of Historical Production Wells Project No. EW3753
- Environmental and Transportation Committee, October 27, 2008, Agenda Item 5 – Abandoned Well Decommissioning Program 2008 Update

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BACKGROUND

Purpose:

This report recommends the award of contract No.10-97, Decommissioning of Historical Production Wells to the second lowest bidder, Aardvark Drilling Inc. for the benefit of minimizing delay and administrative cost and to continue the well decommissioning work to comply with the requirement under the Ontario's Water Resource Act.

Background:

The Abandoned Well Decommissioning Program was established in 2006 to comply with the requirements of Regulation 903 under the Ontario Water Resource Act. Since then, the City of London has engaged Lotowater Technical Service Inc. to develop a risk prioritization strategy, to create a well data base and to identify and undertake physical exploration of old abandoned production wells. At the start of the program, there were a total of 51 abandoned production wells. Records of hundreds of much smaller test wells have also been identified throughout the City. To date, Twenty-two (22) of the production wells had been found and have successfully been decommissioned.

In 2010, a three year term contract was awarded to Davidson Drilling Limited to provide flexibility and consistent quality of work. Eight production wells were successfully decommissioned. In 2011, the survey and planned decommissioning of eight (8) additional wells were completed by Lotowater. Davidson Well Drilling Limited was again awarded to the second (2) year of the three (3) year term contract for the decommissioning work. However, due to lack of response and submission of required documents and bonding, Davidson Well Drilling was deemed unable or unwilling to complete the contractual obligation for the noted project. The City has made several attempts to communicate with the company, but they did not respond. A final letter of notice was sent on July 5, 2012. The contract was therefore terminated on July 23, 2012 as no response was received.

Discussion – Re-Award of Contract:

In order to continue the project and minimize the effect of delay, the City Staff has consulted City Legal personnel and Lotowater Technical Service Inc., to review different options. It has been recommended that the second lowest bidder Aardvark Drilling Inc. be appointed with a new three (3) year term contract. While being the second lowest bidder, Aardvark Drilling Inc. is competitive and willing to maintain their bid unit cost. The cost difference of the 2011 contract between Aardvark Drilling Inc. and the lowest bidder is only \$1,299.50, which is less than 1% of the total contract value. By allowing the use of the second lowest bidder, the project delay can be minimized and the City will save on administrative costs associated with re-tender and document preparation. Aardvark Well Drilling is also recommended by Lotowater Technical Service Inc., as a reliable contractor who was involved in the trial decommissioning work and developing of items in the first decommissioning contract. Due to the above reasons; it is deemed that the appointment of the second lowest bidder Aardvark Drilling Inc. is a practical option for the City under the current circumstance.

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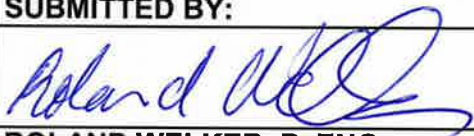
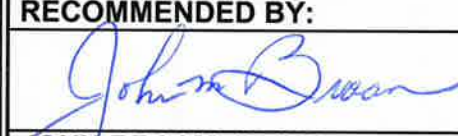
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Conclusion:

Staff recommends that the second lowest bidder, Aardvark Well Drilling be appointed to continue the decommissioning work as the lowest bidder Davidson Well Drilling has been non-responsive to their contractual obligation.

Acknowledgements:

This report was prepared by Shaun Chen of the Water Engineering Division.

SUBMITTED BY:	RECOMMENDED BY:
	
ROLAND WELKER, P. ENG. MANAGER, WATER ENGINEERING	JOHN BRAAM, P.ENG. MANAGING DIRECTOR OF ENGINEERING & CITY ENGINEER

August 24, 2012

Attach: Appendix "A" – Sources of Financing

c.c. Aardvark Well Drilling Inc.
Lotowater Technical Services Inc.
David Munteer – City Solicitor

APPENDIX 'A'

#12137

Chair and Members
Civic Works Committee

August 30, 2012
(Award Contract)

**RE: Decommissioning of Historical Production Wells
Capital Project EW3754-11 - 2011 Abandoned Wells
Aardvark Drilling Inc. - \$165,550 (excluding H.S.T.)**

FINANCE DEPARTMENT REPORT ON THE SOURCES OF FINANCING:

Finance Department confirms that the cost of this project can be accommodated within the financing available for it in the Capital Works Budget and that, subject to the adoption of the recommendation of the Managing Director, Engineering and City Engineer the detailed source of financing for this project is:

<u>ESTIMATED EXPENDITURES</u>	<u>Approved Budget</u>	<u>This Submission</u>	<u>Balance For Future Work</u>
Construction	\$243,954	\$168,464	\$75,490
City Related Expenses	10,815		10,815
NET ESTIMATED EXPENDITURES	<u>\$254,769</u>	<u>\$168,464</u> 1)	<u>\$86,305</u>
<u>SUMMARY OF FINANCING:</u>			
Drawdown from Capital Water Reserve Fund	\$254,769	\$168,464	\$86,305
TOTAL FINANCING	<u>\$254,769</u>	<u>\$168,464</u>	<u>\$86,305</u>

- 1) **Financial Note:**
 Estimated Expenditure
 Add: HST @13%
 Total Contract Price Including Taxes
 Less: HST Rebate
 Net Contract Price

<u>Total</u>
\$165,550
21,522
187,072
18,608
<u>\$168,464</u>

JG


 Alan Dunbar
 Manager of Financial Planning & Policy