

## Bio-solids Contract Price Analysis: November 2020

### 1) Background: Original Report Assumptions

The original report to renew the Bio-solids contract went to PWC on Jan 14, 2020 (PW 3-2020).

The prices in the contract fluctuate based on changes in the CPI and Diesel price, with CPI driving 80% of the increase and the Diesel price driving 20% of the increase. Rates for 2020 to 2022 were estimated using the CPI and Diesel forecast data available in Q4 2019.

For full transparency of the total estimated contract cost, the total contract value also included estimated volume increases annually in sludge haulage and a target land application volume. Table 2 reflects the original estimates from PW 3-2020.

Year	Biosolids Loading & Haulage /Transportation	Biosolids Land Application	Lagoon Management	Total Annual Contract Value	Total Annual Contract % Change
2020F	\$3,392,049.71	\$1,085,454.09	\$54,463.52	\$4,531,967.31	9%
2021F	\$3,583,707.25	\$1,113,382.91	\$55,864.87	\$4,752,955.02	5%
2022F	\$3,782,068.58	\$1,140,786.04	\$57,239.84	\$4,980,094.46	5%

### 2) Differences in the Original Report and 2020-RFP-60

In order to compare the RFP cost to the original contract, the following differences must be recognized:

- **Volumes:** The New Contract, 2020-RFP-60, was based on updated volume estimates that were different from those used in PW 3-2020 due to updated information
- **Timing:** The COVID-19 pandemic caused significant changes in the economy, specifically in diesel prices and estimated CPI. Prices provided by bidders for the new RFP issued in the summer of 2020 could take into consideration these changes. The original report was done in 2019 prior to the pandemic impacting the economy and resulting diesel/CPI
- **New Haulage Service Routes:** 2020-RFP-60 included 13 new trips for transporting bio-solids. In the past, these trips were negotiated on an as needed basis. The cost of these trips were embedded in the original estimate in PW 3-2020 based on a weighted average price per trip

### 3) Contract Comparison

As a result of the differences noted above, the original contract estimate noted in PW3 -2020 is not a direct comparable to the new contract. In order to compare the new contract to the old contract, the following was calculated:

Scenario	Price Assumption	Volume Assumption
Base Case: 2020-RFP-60	RFP Pricing for 2021. Pricing in 2022 was estimated using the	RFP Volumes; excluding new services

Scenario	Price Assumption	Volume Assumption
	most up to date CPI/Diesel forecasts available.	
Scenario 1: Updated Price Assumptions; RFP Volume	Pricing was estimated using the most up to date CPI/Diesel forecasts available. This scenario estimates the price if the original contract had been renewed.	RFP Volumes; excluding new services

The new haulage service routes identified have been excluded from all scenarios as these services were not priced individually in the original contract. As well, the year 2020 has been excluded due to being subject to multiple temporary pricing contracts.

**Total Cost Comparison:**

Year	New Contract Pricing under RFP-60	Scenario 1: Updated Price Assumptions, RFP Volume Assumptions	Variance	
			\$	%
2021	\$ 4,049,170	\$ 4,133,554	\$ (84,384)	-2%
2022	\$ 4,163,350	\$ 4,250,114	\$ (86,764)	-2%
<b>Total</b>	<b>\$ 8,212,520</b>	<b>\$ 8,383,668</b>	<b>\$ (171,148)</b>	<b>-2%</b>

This comparison represents a more accurate estimate of what would have happened in terms of the pricing if the original contract had been renewed. There is an estimated savings of approximately \$171,148 over two years achieved by the RFP process.

*Notes:*

- *Updated CPI information is as per the Canadian Economic Outlook from TD bank using the CPIX for Canada which excludes the 8 most volatile inputs. The actual contract price is based on the Ontario CPI.*
- *Updated Diesel pricing is based on a comparison of October 2020 rates vs. December 2019 prices, as well as the Corporate Guidelines comparing 2022 to October 2020. The year 2022 was used from the Corporate Guidelines as the estimate is done using the end of the year point vs. the average year and diesel prices are expected to increase in 2022.*