



Vendor Award: Management, Operational Maintenance and Capital Management Services for the Community Energy System Owned and Operated by Regent Park Energy Inc.

Item 9A

January 25, 2024

Building Investment, Finance and Audit Committee

Report: BIFAC:2024-10

To: Building Investment, Finance and Audit Committee
("BIFAC")

From: Vice President, Facilities Management
Manager, Financial Reporting, Corporate Accounting

Date: January 18, 2024

PURPOSE:

The purpose of this report is to seek the Building Investment, Finance and Audit Committee's ("BIFAC"), and the Board of Directors' approval to award the work to Oshawa PUC Energy Services Inc. for up to \$36,932,299.11 (\$35,525,906.71 + consumer price index ("CPI")) (exclusive of taxes) to provide management, operational maintenance and capital management services for the Community Energy System ("CES") owned and operated by Regent Park Energy Inc. ("RPEI") for a ten-year term.

BIFAC approval is required for this award as it exceeds the \$5 million financial approval limit of TCHC's Procurement Award Committee ("PAC"), and Board of Directors (the "Board") approval is required as it exceeds the \$10 million financial approval limit of the BIFAC.

RECOMMENDATIONS:

It is recommended that the BIFAC approve and recommend that the Board:

1. approve the award of work to Oshawa PUC Energy Services Inc. for up to \$36,932,299.11 (exclusive of taxes) subject to finalizing the terms of an agreement governing performance of the work, to provide management, operational, maintenance, and capital management

services for the Community Energy System (“CES”) owned and operated by Regent Park Energy Inc. (“RPEI”) at 252 Sackville Street, Toronto based on the outcome of Request for Proposal (“RFP”) 23197 as follows:

- a. up to \$25,107,780.86 for the operating and maintenance costs (operations and maintenance base free, incremental heating and colling) for the full 10-year term including a maximum of 5% for consumer price index (“CPI”) year over year;
 - b. \$250,000.00 for transitional costs in final year (year 10) of the agreement. This amount is to remain static, and CPI will not be included;
 - c. up to \$4,336,668.25 for project management fees based on a submission of 14% for year 1 through year 6. This amount is to remain static, and CPI will not be included;
 - d. up to \$1,045,000.00 for strategic business advice (approx. \$100,000.00 for year 1 and \$105,000.00 for year 2 through 10) for the 10-year term including a maximum of 5% for CPI year over year;
 - e. up to \$6,192,850.00 for the operation of combined heat and power unit for the full 10-year term including 5% CPI year over year; and
2. authorize the appropriate staff to take all other necessary actions to give effect to the above recommendations.

RPEI BOARD OF DIRECTORS:

This report was approved by the RPEI Board of Directors at their January 18, 2024 meeting.

REASONS FOR RECOMMENDATIONS:

PROJECT BACKGROUND:

Regent Park Energy Inc. (“RPEI”) operates a CES with a plant located at 252 Sackville Street. RPEI is a wholly owned subsidiary of Toronto Community Housing Corporation (“TCHC”) through Toronto Community Housing Enterprise Inc. (“TCHEI”). TCHEI is a wholly owned subsidiary of TCHC and RPEI is a wholly owned subsidiary of TCHEI. The Community Energy System is considered an essential service as it is the main supply of energy for the Regent Park community.

The revitalization of Regent Park began in 2006 and was divided into five Phases. For Phases 1, 2, and 3 of the revitalization project, TCHC partnered with the Daniels Corporation, and the Daniels Corporation acted as TCHC's construction manager for the construction of new municipal services, roadways, and buildings. TCHC's new development partner for Phases 4 and 5 is Tridel Builders Inc. and their subsidiary, Deltera Inc., will be TCHC's construction manager.

Phases 4 and 5 of the Regent Park encompasses approximately 6.5 hectares (16 acres). In March 2022, TCHC and Tridel Builders Inc. submitted to the City of Toronto an application to re-zone the Phase 4 and 5 lands. The application proposes twelve new buildings, ranging in height from six to 38 floors and accommodating 2,973 residential units, of which 1,181 will be owned and operated by TCHC as social housing units. This will consist of 633 replacement rent-geared-to-income units and 548 affordable rental units. The balance of the residential units, 1,792, will be market condominium units. The total proposed gross floor area ("GFA") is 292,900 m² (3,153,000 ft²).

Phases 4 and 5 will mostly comprise residential uses; non-residential uses will include retail (various sizes), a new public library, and various community amenity spaces. All new buildings will be connected to the precinct's CES owned and operated by RPEI.

RPEI runs the CES in Regent Park. The system produces high-efficiency heating and cooling for all the residential and commercial buildings in Regent Park and has the potential to generate electricity from green sources like cogeneration, solar and geothermal in the future. The energy generated by the CES will keep 400,000 tonnes of greenhouse gas out of the air over 30 years, the equivalent of taking 66,000 cars off the road for a year. RPEI supports the Government of Ontario's Go Green action plan on climate change and the City of Toronto's Climate Change Action Plan.

The intent of the CES plant is to provide greater efficiencies than could be achieved by individual, standalone building heating and cooling systems typically installed within each building. The CES plant also serves as a pass-through for electrical power for TCHC buildings Phase 1 and 2 through switch stations located within the plant.

The CES plant asset manager is responsible for the daily operations, including the maintenance and operations of the energy transfer state

("ETS") location with each building that connects to the CES plant for heating/cooling supply.

The agreement will be in effect for a 10-year term. Services will not commence until this award has been approved and a contract executed. With approval of this award, TCHC will begin the contract negotiation process with the recommended proponent, with the anticipation of contract execution by July 01, 2024.

PROCUREMENT PROCESS:

A public RFP was issued on September 6, 2023, and closed on September 25, 2023. Three submissions were received. Submissions were evaluated through a six-stage process to determine the highest scoring qualified submission. Proponents were evaluated based their ability to meet mandatory requirements, minimal financial requirements, rated criteria, presentation, pricing and Concurrent Negotiation and Best and Final Offers ("BAFO").

Oshawa PUC Energy Services Inc. confirmed their understanding of the scope of work, ability and pricing at a commercial confidential confirmation meeting held on December 01, 2023, and by submitting BAFO pricing on December 08, 2023.

The recommendation is to award the work to Oshawa PUC Energy Services Inc. for \$36,932,299.11 as the highest scoring qualified submission.

Confidential Attachment 1 provides details on pricing and rated criteria.

IMPLICATIONS AND RISKS:

The recommendation is based on awarding the work as per the RFP requirements. Thus, the risk of a proponent challenging the awarding of the contract is minimized.

The Program Manager, Technical and Renewable Energy, in consultation with other Facilities Management staff has determined that the recommended proponent has the capability and capacity to deliver the work within the timeline. The recommended proponent has performed similar work for TCHC with satisfactory results.

Upon approval of this award, TCHC Legal will pursue execution of an Asset Management, Operation and Maintenance Agreement between RPEI and the recommended proponent.

Funding for the operating and maintenance costs are expected to be covered from the RPEI Operating Budget. Project management services for capital projects on an as-needed basis from the RPEI Capital Budget, for which funding sources are to be identified.

The percentage charged by the proponent on qualifying project management services will be determined during the contract negotiation process. For example, the proponent will not be paid project management (“PM”) fees that TCHC has engaged a third party to perform and will restrict the PM fees only on the work performed by the proponent. The proponent will be required to provide documentary evidence with respect to the PM fees paid to the third parties and in-house costs, if applicable, to claim PM fees.

RPEI Operating and Capital Budgets are approved annually by the RPEI Board.

Approval of the award, if provided to Oshawa PUC Energy Services Inc., will result in a \$200,000 savings in transition fees, which will positively impact the 2024 operating profit of RPEI.

In addition, the contract includes incentives and penalties based on operational and financial performance. Payment of incentives or application of any penalties will be presented to the RPEI Board for approval.

SIGNATURE:

“Allen Murray”

Allen Murray
Vice President, Facilities Management

ATTACHMENT:

Confidential Summary of Submissions

Attachment 1:

Reason for Confidential Attachment: Third party commercial information supplied in confidence and commercial information belonging to TCHC that has monetary value or potential monetary value and whose disclosure could reasonably be expected to be injurious to its financial interests.

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