

Amendment to Purchase Order Number 6050693 with Ecosystem Energy for the Comprehensive Energy Retrofit Project at Emergency Services Headquarters

Date: November 15, 2021

To: Infrastructure and Environment Committee

From: Director, Environment and Energy and Chief Procurement Officer

Wards: 6 (York Centre)

SUMMARY

The purpose of this report is to request authority to amend Purchase Order Number 6050693 issued to Ecosystem Energy, as a result of Request for Proposal Number 9118-19-5058 for a Comprehensive Energy Retrofit Project at Emergency Services Headquarters, 4330 Dufferin St. Toronto.

The Purchase Order Amendment is required due to unanticipated COVID-19 related cost increases, mainly due to increase in the price of steel and other equipment. In addition, the purchase order delivery date also needs to be amended to December 31, 2024 to account for the two years of Monitoring and Verification and Training work that will occur post-construction. This project is funded by the City's Sustainable Energy Plan Financing (SEPF) program, and the overall increased purchase order amount will still meet the SEPF requirements of a positive NPV and payback under 20 years.

The total value of the Purchase Order amendment being requested is \$841,345 net of all taxes and charges (\$856,153 net of HST recoveries), revising the current purchase order value from \$5,772,800 (\$5,874,401 net of HST recoveries) to \$6,614,145 net of all taxes and charges (\$6,730,554 net of HST recoveries).

RECOMMENDATIONS

The Director, Environment and Energy and the Chief Procurement Officer recommend that:

1. The Infrastructure and Environment Committee in accordance with Section 71-11.1.C of the City of Toronto Municipal Code Chapter 71 (Financial Control By-Law), grant authority to amend Purchase Order No. 6050693 with Ecosystem Energy for the Comprehensive Energy Retrofit Project at Emergency Services Headquarters in the amount of \$841,345 net of all taxes and charges (\$856,153 net of HST recoveries), revising the current purchase order value from \$5,772,800 net of all taxes and charges (\$5,874,401 net of HST recoveries) to \$6,614,145 net of all taxes and charges (\$6,730,554 net of HST recoveries).and to extend the Purchase Order delivery date to December 31, 2024.

FINANCIAL IMPACT

The Purchase Order Amendment request included in this report will increase the total value of Purchase Order Number. 6050693 by an additional \$841,345 net of all taxes and charges (\$856,153 net of HST recoveries),revising the current purchase order value from \$5,772,800 net of all taxes and charges (\$5,874,401 net of HST recoveries) to \$6,614,145 net of all taxes and charges (\$6,730,553.95 net of HST recoveries).

Funding is included in the Environment and Energy's Approved 2021 Capital Budget and 2022-2030 Approved Capital Plan under WBS Element CCA712-05 (Renewable Thermal Energy Program 2020), with forecasted expenditures as shown in the Table 1 (net of HST recoveries).

Table 1 - Financial Impact Summary

Year	Total (net of HST recoveries)
2021	\$4,969,322.07
2022	\$1,295,538.23
2023	\$53,993.45
2024	\$53,993.45

The Chief Financial Officer and Treasurer has reviewed this report and agrees with the financial impact.

DECISION HISTORY

The Bid Award Panel adopted Item BA64.2, at its meeting held on January 29, 2020, authorizing the award of Request for Proposal 9118-19-5058 to Ecosystem Energy for the Comprehensive Energy Retrofit Project at Emergency Services Headquarters, 4330 Dufferin St. Toronto, in the amount of \$5,272,800 net of all taxes and charges. The Bid Award Panel decision can be found at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.BA64.2>

COMMENTS

1. Comprehensive energy retrofit

This is one of the first comprehensive or "deep" retrofits undertaken at a City-owned building with the goal of meeting Council's Climate Change mandates and TransformTO Leading by Example targets. The 4330 Dufferin facility is the Toronto Emergency Services Headquarters, one of the most critical buildings in the City's portfolio. The building was in need of multiple asset renewals, as major HVAC equipment has been due for replacements.

The deep retrofit solution being implemented, incorporates multiple energy efficiency measures and renewable energy systems, including a large solar PV carport, and a hybrid ground source and air source heat pump system. Proposed energy efficiency measures will also help address the pressing need of replacing aging HVAC equipment: chiller, cooling tower, a boiler and several main rooftop units.

The deep retrofit is expected to result in an estimated 79% reduction in GHG emissions, and 59% reduction in energy use, while having a positive NPV and payback under 20 years.

The majority of the project cost is financed through the City's SEPF program, where future savings in utility and maintenance costs will repay the loan within 20 years for the initial project costs and interest.

2. Previous Amendment

On March 29, 2021, Purchase Order No. 6040249 was amended by \$500,000 from \$5,272,800 to \$5,772,800 net of all taxes and charges to include additional recommended measures to the scope of work, namely replacing end of the life and/or failing rooftop units (RTU-1, S-2 and RT-3) that are still using obsolete ozone depleting refrigerant (R-22). These measures will help to address asset renewal, replace phased-out refrigerant with one that has much lower impact on climate, and will further reduce building's greenhouse gas emissions.

3. Current Amendment

Due to COVID-19 related effects on supply chain and market prices, the project has experienced the construction costs increases mainly due to increased prices of structural steel, and other equipment. A number of mitigation strategies have been deployed to reduce the impact of Covid-19 related construction cost increases. These strategies included re-designing of the solar PV carport system to reduce the amount of steel required, strategically timing the ordering of equipment, using existing contingency to stay within the approved budget, etc.

However, to be able to meet the project's greenhouse gas emissions and energy reduction goals, while simultaneously addressing the overdue asset renewal of major HVAC equipment, it is required to increase the value of the approved purchase order. It is important to note that SEPF requirements of positive NPV and payback of 20 years or less will be not impacted.

In order to complete the work according to the new schedule, Purchase Order No 6050693 must be amended by an additional \$841,345 net of all taxes and charges, revising the current total value from \$5,772,800 to \$6,614,145 net of all taxes and charges. In addition, the purchase order delivery date must also be amended to December 31, 2024 to include the two years of Monitoring and Verification and Training work that will happen post-construction.

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SIGNATURE

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