

Amendment to Non-Competitive Blanket Contract Number 47019415 with Toronto Hydro Electric Systems Ltd. for Operations and Maintenance Costs for Co-Owned Solar Photovoltaic Systems for Corporate Real Estate Management

Date: September 3, 2024

To: General Government Committee

From: Executive Director, Corporate Real Estate Management and Chief Procurement Officer

Wards: All

SUMMARY

The purpose of this report is to request authority from City Council to amend Non-Competitive Blanket Contract Number 47019415, issued to Toronto Hydro Electric Systems Ltd. ("Toronto Hydro"), for operations and maintenance costs for co-owned solar photovoltaic systems.

In 2011, the City entered into a partnership with Toronto Hydro to design, construct, own and operate solar photovoltaic projects on the roofs of suitable City facilities. The partnership with Toronto Hydro advances the City's 2021 Net Zero Carbon Plan as the solar installations on City-owned buildings help generate low-carbon electricity in the City of Toronto. Transitioning to low-carbon energy is also a key factor of TransformTO.

The original 2015 contract was created to cover the shared maintenance costs of 10 solar photovoltaic locations completed in 2013 as part of the solar photovoltaic partnership. Since the creation of the blanket contract, an additional 12 co-owned systems were installed in 2016 and 2018. In consultation with Purchasing and Materials Management, staff are seeking an amendment to the blanket contract to account for these additional systems and future annual maintenance costs.

The total value of the amendment being requested is \$2,000,000 net of all taxes and charges (\$2,035,200 net of Harmonized Sales Tax Recoveries), revising the overall contract value from \$400,536 net of all taxes and charges (\$407,585 net of Harmonized Sales Tax Recoveries) to \$2,400,536 net of all taxes and charges (\$2,442,785 net of Harmonized Sales Tax Recoveries).

Additionally, it is requested that the expiry date of the blanket contract be extended by 6 years and 3 months (from December 14, 2031 to March 31, 2038), to align with the expiry of the agreements for the sites added in 2018.

City Council approval is required in accordance with Municipal Code Chapter 195, Purchasing, where the current request exceeds the Chief Procurement Officer's authority of the cumulative five-year commitment limit for each vendor under Article 7, Section 195-7.3(D) of the Purchasing By-law or exceeds the threshold of \$500,000 net of Harmonized Sales Tax allowed under staff authority as per the Toronto Municipal Code Chapter 71, Financial Control, Section 71-11.1.

RECOMMENDATIONS

The Executive Director, Corporate Real Estate Management and the Chief Procurement Officer, recommend that:

1. City Council grant authority to the Executive Director, Corporate Real Estate Management to amend Non-Competitive Blanket Contract Number 47019415 with Toronto Hydro Electric Systems Ltd. by increasing the total Blanket Contract target value by \$2,000,000 net of all taxes and charges (\$2,035,200 net of Harmonized Sales Tax Recoveries), revising the current Blanket Contract value from \$400,536 net of all taxes and charges (\$407,585 net of Harmonized Sales Tax Recoveries) to \$2,400,536 net of all taxes and charges (\$2,442,785 net of Harmonized Sales Tax Recoveries), and to extend the expiry date from December 31, 2031 to March 31, 2038.

FINANCIAL IMPACT

The total cost to the City identified in this report is \$2,000,000 net of all taxes and charges (\$2,035,200 net of Harmonized Sales Tax Recoveries). The electrical revenue received by the City under the partnership with Toronto Hydro exceeds the associated costs of operating and maintaining the solar photovoltaic systems over the 20-year term of the agreements.

The requested amendment has no incremental impact on the 2024 Operating Budget for Corporate Real Estate Management. Funding for maintenance costs beyond 2024 will be included in future year annual Operating Budget submissions for Corporate Real Estate Management.

Table 1: Financial Impact Summary by Contract Year, Net of Harmonized Sales Tax Recoveries

Corporate Real Estate Management Cost Centre: FA100-150.S Cost Element: 4995	Maintenance Costs
2024	\$139,700
2025	\$194,800
2026	\$152,300
2027	\$172,200
2028	\$48,700
2029	\$134,700
2030	\$248,400
2031	\$252,300
2032	\$214,700
2033	\$349,300
2034	\$30,900
2035	\$31,600
2036	\$32,400
2037	\$33,200
Total	\$2,035,200

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

DECISION HISTORY

At its meeting of October 8, 2013, City Council adopted item PE22.9 "Solar Photovoltaic Installations on City Facilities", granting authority to expand the agreement with Toronto Hydro to include additional installations in the partnership.

[Agenda Item History - 2013.PE22.9 \(toronto.ca\)](#)

At its meeting of July 6, 2010, City Council adopted item EX45.39 "Solar Photovoltaic Program for City Facilities", granting authority for the City to enter into an agreement with Toronto Hydro Electric System Ltd. for a solar photovoltaic program.

[Agenda Item History - 2010.EX45.39 \(toronto.ca\)](#)

COMMENTS

Background

In July 2010, City Council provided approval to enter into a partnership between the City and Toronto Hydro Electric Systems Ltd. for a solar photovoltaic agreement to design,

construct, own and operate solar photovoltaic projects on the roofs of suitable City of Toronto facilities. The partnership with Toronto Hydro advances the City's 2021 Net Zero Carbon Plan as the solar installations on City-owned buildings help generate low-carbon electricity in the City of Toronto. Transitioning to low-carbon energy is also a key factor of TransformTO. The key terms included:

- Toronto Hydro is responsible for the third-party design, construction, and operation of the projects;
- City of Toronto is a co-investor with a 49% project share;
- As the roof host, the City of Toronto would receive an annual lease of 4% of electrical revenue;
- The generated electricity is to be sold under a 20-year Feed-In Tariff contract, effective once the systems reach the commercial operation date, with the parties sharing the revenue according to ownership share; and
- Capital and operations costs are shared between the parties according to their ownership share.

In December 2011, Joint Development Agreements ("JDAs") were signed for 10 locations for solar photovoltaic projects ("Group A projects"). Commercial operation was reached for the 10 projects by the end of March of 2013, for a total installed capacity of 1.035 megawatts ("MW").

Subsequently, in August 2015, Non-Competitive Blanket Contract Number 47019415 was issued on Toronto Hydro Electric Systems Ltd. in the amount of \$400,536 net of all taxes and charges. The purpose of the blanket contract was to pay the City's 49% share of the estimated operations and maintenance expenses for all 10 projects over the 20-year term. The basis of the blanket contract value included projected annual preventative maintenance costs, and unplanned outage support.

Partnership Expansion – Addition of Projects

New JDAs were signed in early 2016 for 10 additional Group B projects, with the projects reaching commercial operation by March 2016, with a total installed capacity of 1.5 MW in addition to the original 1.035 MW. For the Group B projects, in order to gain priority in the Feed-In Tariff contract award process, the City assumed 51% ownership, while Toronto Hydro assumed 49%. All other terms of the original agreement remained.

In March 2018, two additional projects were added for an additional one MW of installed capacity. The two Group C projects were installed on Toronto Hydro facilities. For these systems, Toronto Hydro receives 4% of the revenue as lease payments, and own 51% of the systems. The agreements for these two sites expire in March 2038.

Group A and B projects are generally located on the roofs of City-owned community centres, arenas and large industrial sites where energy generation is optimal.

Details of Contract Amendment

All electricity generated by the projects are sold to the Ontario power grid at rates set by the appropriate Feed-In Tariff agreements. The revenues for the projects are initially received by the majority owner of the project – Toronto Hydro for Group A and C, and City of Toronto for the Group B projects.

As per the agreement with Toronto Hydro, Toronto Hydro takes care of all maintenance of operations of the co-owned projects, with the City reimbursing their cost share through Blanket Contract 47019415. Given that the blanket contract was established prior to the addition of the 12 new systems, and only accounted for early preventative maintenance costs and unplanned outage support, Corporate Real Estate Management and Purchasing and Materials Management are seeking authority to amend Blanket Contract 47019415 by adding \$2,000,000 net of all taxes and charges (\$2,035,200 net of Harmonized Sales Tax recoveries), revising the overall contract value from \$400,536 net of all taxes and charges (\$407,585 net of Harmonized Sales Tax Recoveries) to \$2,400,536 net of all taxes and charges (\$2,442,785 net of Harmonized Sales Tax Recoveries). This amendment will ensure there is sufficient contract value to reimburse Toronto Hydro for the City's current and future share of maintenance and replacement costs for co-owned Solar photovoltaic systems across the city.

As the final Feed-In Tariff and Toronto Hydro agreements for the last two projects added expire in March 2038, 20 years after their commercial operation date, it is also requested that the expiry date of Blanket Contract Number 47019415 be extended by 6 years and 3 months (from December 14, 2031 to March 31, 2038).

CONTACT

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SIGNATURE

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