



CITY OF VANCOUVER

ADMINISTRATIVE REPORT

Report Date: April 16, 2008
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VanRIMS No.: 03-1200-11
Meeting Date: April 29, 2008

TO: Vancouver City Council

FROM: General Manager of Engineering Services

SUBJECT: Neighbourhood Energy Utility ("NEU") - Award of Contract for Boiler System Supply

RECOMMENDATION

- A. *THAT, subject to the conditions set out in Recommendations B, C, and D, that Council authorize a contract with Sterling Combustion Inc. for the supply and delivery of natural gas boilers, in accordance with Invitation to Tender No. PS08035 at an estimated cost of \$777,949 plus GST and PST.*
- B. *THAT, the contract be on such terms and conditions as are satisfactory to the Director of Legal Services and the General Manager of Engineering Services.*
- C. *THAT, upon approval of the contract by the Director of Legal Services and the General Manager of Engineering Services, the Director of Legal Services be authorized to execute and deliver the contract on behalf of City Council.*
- D. *THAT no legal rights or obligations will be created by the adoption of these Recommendations or at any time after such adoption unless and until the contract and any other required legal documentation has been executed and delivered by the City to Sterling Combustion Inc.*
- E. *THAT the source of funding for this contract be the NEU Interim Budget.*

CITY MANAGER'S COMMENTS

The City Manager RECOMMENDS approval of the above recommendations to proceed with the purchase of natural gas boilers.

COUNCIL POLICY

Contracts with a value over \$300,000 require approval of City Council. Contracts are awarded on the basis of best value to the City.

On March 2, 2006, Council approved in principle the creation of the NEU to provide space heating and domestic hot water services to Southeast False Creek ("SEFC") buildings, with interim development financing of a maximum of \$14.0 million provided by the Capital Financing Fund.

PURPOSE

This report seeks authorization to award the contract for the supply and delivery of natural gas boilers to be used in the SEFC Community Energy Centre ("CEC") to Sterling Combustion Inc. at an estimated cost of \$777,949 plus GST and PST.

BACKGROUND

On March 2, 2006, Council approved in principle the creation of the NEU to provide space heating and domestic hot water services to the SEFC Official Development Plan area. Development of the NEU was considered to be an economically and technically viable contribution toward the greenhouse gas ("GHG") reduction objectives identified in the SEFC Official Development Plan. Creation of the NEU will also contribute toward the achievement of the City's community GHG targets, and provide a financial return on the City's investment. Council also approved the NEU Interim Budget with financing approved from the Capital Financing Fund to be repaid from future NEU revenues.

On July 16, 2007, Council approved a report recommending that the City enter into a contract with the team lead by Sandwell Engineering Inc. to provide detailed design and construction management services for the CEC. The CEC will incorporate a sewage pump station and will utilize sewage heat recovery as the primary source of energy. Natural gas boilers are required to provide back-up to the sewage heat recovery system, as well as to provide supplemental heat on the coldest days of the year. Conceptual design activities are now complete, and the Development Permit Board granted unanimous support for the CEC design on March 25th, 2008.

DISCUSSION

The City requires three natural gas boilers to provide back-up and supplemental heat to the sewage heat recovery system in the CEC. On March 18, 2008, an Invitation to Tender ("ITT") was issued for these natural gas boilers. This ITT closed on April 14, 2008, with tender submissions received from Direct Energy Business Services Ltd., Murray Mechanical Sales Inc. and Sterling Combustion Inc. Prices listed in Table 1 are based on lump sum amounts and unit rates (as applicable) for the supply and delivery of three natural gas boilers.

Table 1: Tender Prices

Tenderer	Tender Price (not including GST and PST)
Direct Energy Business Services Ltd.	\$1,065,075
Murray Mechanical Sales Inc.	\$857,000
Sterling Combustion Inc.	\$777,949

The Evaluation Team, with representatives from the City, FVB Energy Inc. and Sandwell Engineering Inc. assessed the tender submissions. Tender submissions were evaluated on the basis of the overall best value to the City including, but not limited to, the following criteria:

- a) the Tenderer's ability to meet the requirements, qualifications and competencies set out in the ITT;
- b) the Tenderer's financial offering, including but not limited to price, operating and maintenance costs, warranty and any life cycle considerations;
- c) the Tenderer's business and technical reputation and capabilities; experience and where applicable, the experience of its personnel; financial stability; track record; and references of current and former customers;
- d) equipment quality, configuration, age and condition; and
- e) any other criteria reasonably considered relevant.

As Sterling Combustion Inc.'s tender submission met the requirements of the ITT and is considered to provide the best value for the City, the Evaluation Team recommended that Sterling Combustion Inc. be awarded the contract for the supply of natural gas boilers to the CEC.

FINANCIAL IMPLICATIONS

On March 2, 2006, Council approved the NEU Interim Budget of \$14 million with financing approved from the Capital Financing Fund, which is to be repaid from future NEU revenues. The recommended contract with Sterling Combustion Inc. will be funded from the approved budget.

CONCLUSION

Following a competitive public tender process, it is recommended that the contract for the supply and delivery of natural gas boilers for use in the Southeast False Creek Community Energy Centre be awarded to Sterling Combustion Inc.

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