



# A4

## ADMINISTRATIVE REPORT

Report Date: October 9, 2009  
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Meeting Date: October 20, 2009

TO: Vancouver City Council  
FROM: Manager of Sustainability  
SUBJECT: Delegation of Authority to Award Contract for a Sustainable District Energy Options Study for North East False Creek

### *RECOMMENDATION*

- A. THAT Council delegate authority to the City Manager to select a consultant to undertake a Sustainable District Energy Options Study for North East False Creek
- B. THAT Council delegate authority to the City Manager, in consultation with Legal Services, to enter into a contractual agreement with the selected consultant to complete the Study with funding not to exceed \$70,000 provided from the 2009 Sustainability Group operating budget

### *CITY MANAGER'S COMMENTS*

The City Manager recommends approval of the foregoing.

### *COUNCIL POLICY*

Consultant contracts over \$30,000 require Council approval. Authority to select and enter into a specific contract can be delegated by Council to staff.

In March 2005, Council approved the Community Climate Change Action Plan that established the reduction of greenhouse gas (GHG) emissions as a City priority. One of the key strategies included in the Plan was to identify opportunities to expand the use of renewable energy using district energy systems.

In June 2008, Council approved EcoDensity Action A2 that requires proponents seeking rezonings of sites larger than 2-acres to undertake a sustainable energy feasibility study to determine if a low-carbon district energy system would be viable for the site taking into account its neighbourhood context.

### ***SUMMARY***

Central Heat's existing steam heating system and the potential new developments in North East False Creek are two related and high priority opportunities to significantly reduce GHG emissions in Vancouver. Developing a better understanding of the technologies and a business case for using sustainable energy sources for Central Heat's current operations and for a potential district heating system for the North East False Creek (NEFC) neighbourhood are two of the highest priority actions arising from the Greenest City Action Team Quick Starts report.

Delegating authority to award a contract to undertake this study will ensure the City, BC Hydro, Central Heat, and the NEFC landowners have a clear understanding, prior to the 2010 Winter Games, of the opportunities that warrant the development of a detailed business case (or cases).

### ***PURPOSE***

To request that Council delegate the authority to the City Manager to select and enter into a contract with a qualified consultant to undertake a Sustainable District Energy Options Study for North East False Creek (NEFC).

### ***BACKGROUND***

Central Heat operates British Columbia's largest district heating system in NEFC using natural gas fired boilers as its primary energy source. This operation centralizes what would otherwise require hundreds of individual boilers in buildings throughout the urban core, including BC Place and GM Place in NEFC, and presents the single greatest opportunity to significantly reduce GHG emissions in Vancouver.

The City is also currently developing a comprehensive plan for NEFC to establish the vision and expectations for new developments in that neighbourhood. Under the requirements of EcoDensity A2, landowners wishing to rezone large sites, such as those in NEFC, are required to undertake a technical and business case feasibility study for renewable district energy options.

BC Hydro is interested in exploring renewable district energy systems as a possible strategy to both reduce the future new demand for electric heat as well as to better understand specific opportunities for combined heat and power projects, especially in urban centers such as Vancouver's North East False Creek neighbourhood.

Finally, the Greenest City Action Team's Quick Starts Report calls on the City to engage large GHG emitters such as Central Heat to identify opportunities for energy efficiency improvements and fuel switching in order to significantly reduce GHG emissions. In addition, it calls for immediate action in developing an integrated energy strategy with an initial focus on a detailed exploration of a sustainable district energy system for the North East False Creek neighbourhood. Staff have identified these as two of the highest priority actions arising from the Quick Start report.

## DISCUSSION

Central Heat, the NEFC landowners, and BC Hydro have all agreed to work with the City to undertake a joint study to identify the issues and potential technical options for:

- a sustainable energy source for Central Heat's existing heat loads
- a renewable district energy system for new development in NEFC
- the viability and implications of undertaking combined heat and power associated with either of the above possibilities

The scope of the study was developed in consultation with these stakeholders who urged a phased approach to work; start with an options study based on existing information and assumptions to identify opportunities and issues and use this work to inform a more detailed subsequent study (or studies).

On September 21, 2009 the City issued a Request for Proposal ("RFP") that identified a business opportunity for the successful Proponent to provide a report describing the screening level technical and business case opportunities for renewable energy system(s) for the NEFC neighbourhood and the existing operations of Central Heat. Staff have developed an evaluation matrix to assess the proposals and will initiate this process immediately following the opening of proposals on Oct. 15, 2009.

One of the landowners indicated a preference to study each of these opportunities separately and to delay the initial feasibility study of a sustainable district energy system for NEFC until after Council had made decisions on the NEFC Rezoning Directions Report. Given the priority of this work, the fact that the best options for renewable energy for both NEFC and Central Heat may be closely related, and that there is sufficient information and reasonable assumptions available now for a screening level assessment to commence immediately, Staff opted to proceed immediately with the RFP to look at opportunities for both Central Heat and NEFC concurrently.

Staff are recommending that Council delegate authority to award this work to the City Manager so that the study can be initiated immediately. Delaying the award of this work into November will make it impossible to identify and initiate the next steps towards developing renewable energy options for Central Heat and NEFC prior to the 2010 Games, ultimately delaying this Greenest City quick start action by up to a couple of months. In addition, some of the NEFC landowners are eager to move forward as quickly as possible so that the preparation of a subsequent and more detailed feasibility study to satisfy the requirements of EcoDensity A2 does not delay their potential efforts at having their sites rezoned in 2010.

## *FINANCIAL IMPLICATIONS*

In the interest of securing the most competitive proposals, the RFP did not specify cost limit. Staff estimate that this initial study should cost between \$50,000 and \$70,000 and will work with the preferred proponent(s) to adjust their scope to ensure costs do not exceed \$70,000.

Maximum Study Cost	\$70,000
Landowners and Central Heat Contributions	(\$25,000)
BC Hydro Contribution (50% of study costs)	(\$35,000)
Maximum City Funds Required	\$10,000

The City contribution will come from the Sustainability Group 2009 Climate Protection Operating Budget that includes funds to undertake district energy research and feasibility studies.

The City's financial exposure from the study is expected to be a maximum of \$10,000. Written and verbal commitments for \$60,000 in external contributions have been received. If these commitments are not honoured, the City will be liable for the entire \$70,000 cost of the study, which will be funded from the Sustainability Group's 2009 Operating Budget.

### ***CONCLUSION***

This study will help to advance a number of key Council policies and priorities including Greenest City Action Team Quick Starts, EcoDensity requirements for improved environmental performance for large site re-zonings, and meeting our greenhouse gas reduction targets. Delegating authority to the City Manager to award this work will ensure it is completed prior to the 2010 Winter Games. This will enable the timely initiation of a subsequent, more detailed study (or studies), as required to satisfy the requirements of EcoDensity A2 and minimize the risk of delay to NEFC rezoning approvals.

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