



REPORT

Report Date: July 8, 2020
Contact: Alexander Ralph
Contact No.: 604.829.2092
RTS No.: 13572
VanRIMS No.: 08-2000-20
Meeting Date: July 8, 2020

TO: Standing Committee on City Finance and Services

FROM: General Manager of Engineering and Chief Procurement Officer

SUBJECT: Contract Award for Supply and Maintenance of Sewage Heat Recovery Heat Pump

RECOMMENDATION

- A. THAT Council authorize City staff to negotiate to the satisfaction of the City's General Manager of Engineering, City's Director of Legal Services, and the City's Chief Procurement Officer and enter into a contract with Johnson Controls Canada LP, for the supply and maintenance of a fully packaged sewage heat recovery heat pump that will achieve 6.9 megawatt of thermal output for a term of 10 years with an estimated contract value of \$6,581,726.50, plus applicable taxes over the term; \$5,161,800.50 to be funded through approved multi-year NEU Waste Heat Recovery Expansion Capital Project Budget and the balance, \$1,419,926, from ongoing annual operating budgets via the NEU Rates over the 10 year term.
- B. FURTHER THAT the Director of Legal Services, Chief Procurement Officer and General Manager of Engineering be authorized to execute on behalf of the City the contract contemplated by Recommendation A; and,
- C. THAT no legal rights or obligations will be created by Council's adoption of Recommendations A and B above unless and until such contract is executed by the authorized signatories of the City as set out in these Recommendations.

REPORT SUMMARY

The City issued a Request for Proposal (RFP) PS20190748 on August 16, 2019 for a fully packaged sewage heat recovery heat pump that will achieve the largest possible thermal output capacity within the existing space in the False Creek Energy Centre (FCEC), while still maintaining optimal efficiencies and requisite equipment clearances. The RFP was advertised

on City of Vancouver website and BC Bid and the work was called in accordance with the terms and condition of the City's Procurement Policy ADMIN-008. City staff on the RFP evaluation committee and, subsequently, the Bid Committee have considered the Proposals received and, on that basis, recommend that the City negotiates and, if such negotiations are successful, enter into a contract as described above with Johnson Controls Canada LP.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The City's Procurement Policy ADMIN-008 requires that contracts with value over \$2 million must be approved by Council following review and recommendations by the Bid Committee. The Bid Committee has considered and recommended Johnson Controls Canada LP as the successful proponent.

There is no applicable Council Authority or previous decisions relevant to this report.

CITY MANAGER'S/GENERAL MANAGER'S COMMENTS

The City Manager recommends approval of the foregoing.

REPORT

Background/Context

The City's Department of Engineering created the False Creek Neighbourhood Energy Utility ("NEU") in 2010 to service all new developments in the Southeast False Creek and Great Northern Way Campus Lands areas with low-carbon thermal energy for space heating and domestic hot-water.

In February 2018, City Council approved expansion of the utility into the areas of Lower Main, Northeast False Creek (NEFC), the future New St. Paul's Hospital and False Creek Flats.

Currently, the False Creek Energy Centre (FCEC) generates energy for the NEU through a combination of sewage waste heat recovery heat pumps (2 x 1.6 MW thermal output capacity) and natural gas boilers (1 x 8 MW and 4 x 4 MW thermal output capacity). One of the NEU targets is to generate and deliver a minimum of 70% low carbon energy to connected buildings. As part of the City's Climate Emergency Response, the NEU is proposing to achieve 100% low carbon energy by 2030.

With the system continuously growing and the addition of new building connections every year, it has become necessary to increase the capacity of low carbon energy generation at the FCEC to meet low carbon energy targets. Renewable natural gas is being used in the interim, at a cost premium.

In the original design of FCEC, physical space was left in the plant for the installation of additional low carbon capacity. After conducting a comprehensive review of heat sourcing options, the City has selected sewage heat recovery as the technology to be used in the upcoming expansion.

The purpose of the RFP was to identify suppliers with demonstrated capability to meet the City's estimated demand over the term of the contract at competitive pricing and satisfactory service requirements.

Strategic Analysis

The RFP was issued in the accordance with the City's Procurement Policy ADMIN-008. The City received responses from the following Proponents:

1. Johnson Controls Canada LP
2. Trane Canada ULC

The proposals were evaluated through the work of an evaluation team comprised of representatives from NEU Branch under the stewardship of Supply Chain Management to ascertain if the proposals offered good overall value to the City; both quantitative and qualitative factors were evaluated.

Some of the Criteria considered in the overall evaluation process included:

- Proponents' qualification including expertise and experience, project team, work plan and innovation;
- Proponents' ability to meet the City's requirements on sustainability and technical design conditions that include the equipment's maximum capacity, efficiency and performance; and
- Price of the equipment.

Based on the overall evaluation, the team concluded that the Proposal submitted by Johnson Controls Canada LP garnered the highest score for the combination of technical and commercial evaluations and best met the City's requirements and provided best overall value to the City.

Financial

Finance has reviewed and confirmed that funding is available from the approved multi-year NEU Waste Heat Recovery Expansion Capital Project Budget. As a result of the RFP, the City is able to achieve cost certainty for the proposed term. The annual operating budget will be built into the NEU Rates 2021 and beyond and is subject to the approval of the annual Operating Budget.

Legal

The City's Procurement Policy requires that all contracts that have been awarded by Bid Committee and Council will be signed by the Director of Legal Services.

CONCLUSION

In summary, City staff recommend that the City of Vancouver negotiate and enter into a contract with Johnson Controls Canada LP for the supply and maintenance of sewage heat pump recovery heat pump.

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