



Exhibition Place

Item No. 3

ACTION REQUIRED

April 4, 2014

To: The Board of Governors of Exhibition Place

From: Dianne Young, Chief Executive Officer

Subject: **2014 Capital Works Program – Tender Report**
District Energy System at Exhibition Place
Contract No. 13-090-39017

Summary:

This report recommends approving a contract with VR Mechanical Solution Inc. for the installation of a district energy plant in Direct Energy Centre with all necessary equipment and work as required. The tender call for this contract was issued on February 24, 2014 through the City of Toronto, Finance Department, Purchasing and Material Management Division (PMMD) and the recommendation is to award the contract to the lowest acceptable tender within the available budget.

Recommendation:

It is recommended that the Board award Contract No. 13-090-39017 to VR Mechanical Solution Inc. for the installation of a district energy plant in Direct Energy Centre in the amount of \$3,820,000.00, which includes a contingency of \$58,000 but excludes HST; this being the lowest acceptable tender received following the public tendering of the contract through the City PMMD, subject to the execution of an Energy Services Agreement between the Board, the City and Princes Gates Hotel Limited Partnership ("PGH") for a district energy system to service PGH's hotel.

Financial Impact:

The total project cost of \$4.5 million for the Distributed Energy System was approved by the Board and City Council and the costing for the engineering and construction is within this project budget.

Decision History:

The Exhibition Place 2009 – 2012 Strategic Plan had an Environmental Goal to *exemplify and demonstrate environmental stewardship and leadership in all aspects of our businesses and operations* and as a Strategy to support this Goal *we will reduce the impact of our operations/business on all aspects of the environment.*

At its meeting on May 25, 2012, the Board approved the Distributed Energy System at Exhibition Place, which was subsequently approved by City Council at its meeting of July 11, 12 and 13, 2012.

At its meeting of July 5, 2013, the Board delegated authority to the Chair of the Board and the Chief Executive Officer to enter into an agreement with the preferred proponent of the public

RFP issued by the City of Toronto for the Distributed Energy System Engineering and Design project provided the cost is \$0.4M or less.

At its meeting of September 6, 2013, the Board was informed of the result from the Request for Proposal (RFP) on the selection of the design consultant FVB Energy Inc., and its terms and conditions in the agreement for the engineering and design component of the Distributed Energy System.

Issue Background:

The development of a distributed energy system at Exhibition Place (EP) has the potential of resulting in significant financial benefits to Exhibition Place and the City and also significant greenhouse gas reductions. Given the timeframes set for the Princes Gate Hotel (PGH) project and the estimated timeframe to construct the Distributed Energy System (DES) of 12 months, the design consultant, FVB Energy Inc., was engaged in the fall of 2013 to start the design process. The timeframes outlined in the July 5, 2013 Board Report were closely followed. Designs had been done in the last few months and preparation for public tendering for the construction of the DES through the city started in late February 2014.

Comments:

The tender for this contract was issued on February 24, 2014 through the PMMD and Mr. Hardat Persaud, Chief Financial Officer of the Board, supervised the tender opening on March 18, 2014. Twenty (20) bidders came to the mandatory site tour meeting and three (3) official tenders were received. Their price submissions, excluding HST, are as shown in the following table:

Tenderer	Mandatory Qualification Submission	Tender Price Received	Reduction of \$50,000 from Contingency and Appendix V Reduction	Comment/ Recommended Contract Price
Bird Mechanical Ltd.	Pass	\$3,884,000.00	Not Applicable	Disqualified; Correct Appendix V not submitted
VR Mechanical Solutions Inc.	Pass	\$3,890,000.00	(\$70,000.00)	\$3,820,000.00
W.S. Nicholls Construction Inc.	Pass	\$4,087,320.00	(\$64,000.00)	

Due to the complexity and importance of this project, a set of mandatory qualification submission is required to be submitted by all tenderers at the time of tender submission. All tenderers were warned in the mandatory site tour meeting that failure to pass this first step of requirements will render the bidder's tender rejected regardless of prices submitted. The mandatory qualification requirement stated in the tender to ascertain the qualification and experience deemed required executing this project and meeting the overall performance expectations of the project. The tenderers were asked to demonstrate that they have minimum of 10 years of experience to be demonstrated in four (4) separate areas of experience and qualifications. All three (3) submissions met the intent of these mandatory requirements.

However, the tender submission of Bird Mechanical Ltd. failed to submit the correct form of Appendix V - Alternative Prices, which was issued along with addendum No. 1 dated March 7, 2014 during the tendering period, and therefore, its submission is deemed informal and disqualified. It is stipulated in the tender documents under the "Instructions to Tenderers":

- a) Clause 1(5) that "... the Board may evaluate the Estimated Contract Tender prices and information submitted in all the Appendices to the Tender Forms, which include those prices pertaining to deletion, addition, and alternative....";
- b) Clause 5(7)(ii) that " Any Tender whose **Tender Form** (including **Appendices**) is incomplete, conditional, or obscure, or....., may be rejected as informal."; and
- c) A note on the cover page of the FORMS stating that "All forms in this (tender forms) section must be filled in where applicable, ..., and returned to Exhibition Place as a formal tender submission...."

The alternative price solicited from all tenderers is for substituting the 200 mm diameter pre-insulated heating pipes to be buried across the Princes' Blvd from Direct Energy Centre to PGH with a 150 mm diameter instead. This price differential is critical to Exhibition Place to know and to use it for getting this additional cost reimbursed back to this project by the PGH.

The overall budget for this project (construction costs and engineering fees) is \$4,500,000 under the 2013/2014 additional Green Energy Initiatives of the main account #13-090 of District Energy System. The maximum construction budget allowable is \$3,828,000. The submission of the qualified and lowest tender by VR Mechanical Solutions Inc. of \$3,820,000.00 which contains a reduced contingency from \$108,000 to \$58,000 is therefore within budget. With the reimbursement of \$20,000 in the future from PGH back to this project, the contingency in fact will be at \$78,000.

Staff are still working with the owner of PGH to sign the Energy Services Agreement between Exhibition Place, the City and PGH. Without this Energy Services Agreement signed, the project will not commence. The recommended contractor VR Mechanical Solution Inc. has been notified of this condition and understands that the award of this contract is totally subject to the signing of this agreement and will not hold Exhibition Place responsible or damage for loss of this contract if the agreement is not signed. Exhibition Place will work with VR Mechanical Solution Inc. to adjust the timing and completion of the project if the Energy Services Agreement is late.

The scope of the project includes the Energy Transfer Stations in the Hotel basement, the hot and cold supply and return lines from the district energy plant in Direct Energy Centre to the basement of the Hotel, the new high efficiency boiler and chiller, connection to the Heat Source and Chilled Water Sources in Direct Energy Centre, any process piping alterations required, a new emergency generator requirement, electrical and control alterations as required. A tight and restricted schedule in co-ordination with the PGH construction was stipulated in the tender documents for the contractor to complete its work through a different set of milestones with final completion by early March of 2015.

VR Mechanical Solutions Inc. is a well-established mechanical contractor since 1999, acting in many projects as Prime (General) Contractor. The annual business value is in the \$40,000,000 range. The services provided by VR Mechanical include projects listed in the tender such as an entire mechanical system installation for: Water Park Place (\$5,000,000); Ryerson University

(\$8,500,000); Delta Hotel (\$21,900,000); MaRS Office/Laboratory Phase 2 (\$17,000,000); and Princes Gate Hotel (\$27,000,000).

This recommendation is contingent upon approval by the Office of the Deputy City Manager and CFO of the Surety Company proposed by the successful bidder for the supply of the bonding requirements and is also subject to the Fair Wage Office confirming that the recommended contractor and its subcontractors maintain wage rates and working conditions in accordance with Toronto Workers' Rights requirements.

Contact:

Danny Chui, Manager, Capital Works

Tel: 416-263-3670

Fax: 416-263-3686

Email: dchui@explace.on.ca

Submitted by:

Dianne Young
Chief Executive Officer