

EXHIBITION PLACE

May 18, 2005

To: The Board of Governors of Exhibition Place

From: Dianne Young
General Manager & CEO

Subject: **TENDER FOR NATIONAL TRADE CENTRE
Tri-Generation Plant
Contract No. 05-0068-56833 -EQ**

Purpose:

This report recommends the award of a tender relating to the Tri-Generation Plant at the National Trade Centre.

Financial Implications and Impact Statement:

The financing for this project is included within the 2005 Capital Budget approved by the Board.

Recommendations:

It is recommended that the Board award:

1. **The equipment supply and delivery Contract No. 05-0068-56833-EQ to Toromont-Cat, a division of Toromont Industries Limited of Concord, Ontario in the amount of \$1,900,004.25, this being the lowest tender received; and**
2. **A three-year maintenance contract with Toromont-Cat for \$41,800 per year based on a rate of \$10.45 per run hour for estimated 4000 operating hours per year of the Tri-generation power plant effective 2006 to 2008.**

Background:

The Board approved a budget of \$4,400,000.00 last year as part of the 2005 Capital Works Program for the Tri-Generation Project.

In 2004 Exhibition Place has received approval of a loan from the Green Municipal Investment Fund (GMIF) to partially fund this tri-generation project. At its meeting on September 24, 2004 the Board and later the City Council approved a report on the "Implementation of the Tri-Generation Project" outlining the funding sources of the project with Toronto Atmospheric Fund (TAF) and the City's Energy Retrofit Program (FRP). The final funding formula is set as follows: TAF \$1,000,000; ERP \$2,325,000 and; GMIF (loan) \$1,075,000. The financial

proformas indicated that in the first 10 years of the 30-year life-span of the plant, the project will generate sufficient savings to repay all the loans and in addition generate approximately \$1.14M of profit for the Board. In addition, the feasibility studies for this project indicate it will achieve annual emissions reductions of 7,400 tonnes of equivalent CO₂.

In 2004 October meeting of the Board, it further approved Toronto Hydro Energy Services Incorporated (THESI) as its full consultant for the implementation of this tri-generation project.

Discussion:

Design on the trigeneration project was commenced in January and tendering of equipment supply contract was issued in early April of this year. The scope of this equipment tender includes the supply of a 1600 kW power plant that is to be installed at the National Trade Centre. The power plant is to include all generator equipment, ventilation equipment, electrical equipment, mechanical equipment, radiators, exhaust stack heat recovery unit, transformers, switchgears, unit controls, unit container and all other ancillaries. The intent of this equipment supply tender is to allow the generator manufacturer to supply a complete tri-generation unit, thus allowing the manufacturer to select the specific ancillary equipment and unit controls that fully optimise their generation equipment. The manufacturer would ensure that all designed components within the power plant are fully operational and commissioned. Final hoisting of the supplied container unit will be by the future installation contractor.

The tender for this contract was issued on, April 12, 2005 and on May 9, 2005, Fatima Scagnol, Corporate Secretary, supervised the tender opening of this Capital Project. Three (3) tenders were received and their price submissions, excluding GST, are as follows:

| <u>Tenderer</u> | <u>Submitted Tender Price</u> | <u>Additional for Noise Abatement</u> | <u>Recommended Contract Amt.</u> |
|---|-------------------------------|---------------------------------------|----------------------------------|
| Toromont-Cat a division of Toromont Industries Limited | 1,891,584.90 | 8,419.35 | 1,900,004.25 |
| Detroit Diesel Allison Canada | 2,026,260.00 | Included in Price | |
| Ontario Electric | 2,534,087.00 | Not Submitted | |

The budget for this work (construction costs, engineering fees, project management and administration costs) under the main project of National Trade Centre Account # 0068 is \$4,400,000. Contained in this figure is \$2,000,000 for equipment supply and delivery. The submission by the low tender Toromont-Cat, at \$1,900,004.25, which includes the improvement of noise level to the container from 75db at 10m down to 65db at 10m, is therefore within budget.

The recommended tender is Toromont Cat with their bid of a 1600 kW generator model 3520E. This is the lowest bid submitted and the unit provides the best annual net savings and produces the best economical outcome when analysed over a 20-year life cycle.

Toromont Cat is a Canadian market leader in developing power generation projects up to 20,000kW. Toromont has been in the co-generation business since the mid 1980's and has been involved in over 50 projects in Canada since that time. In the late 1990's Toromont created a subsidiary called Toromont Energy that currently owns and operates a total of 26MW of projects in Ontario alone, which includes 6500 kW at Brock University and two 6,000 kW at Sudbury District Energy Corporation. Based on this information, Toromont would provide excellent support to Exhibition Place for the life of this project.

In the tender documents, suppliers were asked to bid on an annual maintenance requirements and estimated costs based on a 4,000 hour operation of the generator plant. Table below shows the maintenance requirements for each of the proposed unit to be supplied.

| Description | Toromont-Cat | Jenbacher | Ontario Electric |
|-----------------------------|----------------------------------|---------------------------------|-----------------------------|
| Model Number | 3520E | JMC316 | ENI620 |
| Annual Maintenance Contract | \$41,800 (\$10.45/run hour) | \$56,240 (\$14.03/run hour) | \$138,560(\$35.64/run hour) |
| Minor Overhaul | \$68,653 @ 20,000 hours (5yr) | \$114,780 @ 30,000 hours (15yr) | Not Supply |
| Major Overhaul | \$151,162 @ 100,000 hours (25yr) | \$244,210 @ 60,000 hours (15yr) | Not Supply |

Based on information above, the first three-year maintenance contract at \$41,800 per year for three years (2006-2008) with the option of renewal for the next three-year contract at the end of 2008 with a new negotiated run hour rate, is recommended to be awarded to Toromont-Cat.

This recommendation is contingent upon approval of the Toronto Commissioner of Finance and Treasurer for the Surety Company which will supply the bonding requirements and the Fair Wage Office to confirm that the recommended contractor and its subcontractors maintain wage rates and working conditions in accordance with Toronto Workers' Rights requirements. The Treasurer has previously certified, at the time of project approval, that financing can be provided under the updated Debt and Financial Obligation Limit and that it falls within corporate debt guidelines.

Conclusion:

This report recommends that the Board award the equipment supply Contract No. 05-0068-56833-EQ to Toromont-Cat a division of Toromont Industries Limited, in the amount of \$1,900,004.25, for the National Trade Centre Tri-Generation Project as well as the first three-year maintenance contract with \$41,800 per year based on an estimated 4,000 annual operating hours.

Contact:

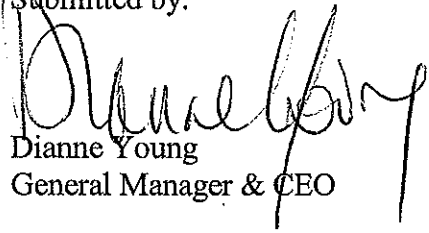
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Submitted by:

A handwritten signature in black ink, appearing to read "Dianne Young". The signature is written in a cursive style with a large initial "D".

Dianne Young

General Manager & CEO