

REQUEST FOR PROPOSAL “RFP No. PS20210169
NEU: LOW-CARBON THERMAL ENERGY SUPPLY FOR NORTHEAST FALSE CREEK

QUESTIONS AND ANSWERS NO. 3

ISSUED ON: September 9, 2021

<p>Q3.1</p>	<p>Please confirm the level of project definition and corresponding cost definition expected by the City for proposals. For example, the BCUC requires a cost estimate developed to a Class 3 AACE cost definition (generally -10%/+30%) expected accuracy. Table attached for reference.</p> <table border="1" data-bbox="300 653 1230 1276"> <thead> <tr> <th rowspan="2">ESTIMATE CLASS</th> <th>Primary Characteristic</th> <th colspan="4">Secondary Characteristic</th> </tr> <tr> <th>LEVEL OF PROJECT DEFINITION Expressed as % of complete definition</th> <th>END USAGE Typical purpose of estimate</th> <th>METHODOLOGY Typical estimating method</th> <th>EXPECTED ACCURACY RANGE Typical variation in low and high ranges [a]</th> <th>PREPARATION EFFORT Typical degree of effort relative to least cost index of 1 [b]</th> </tr> </thead> <tbody> <tr> <td>Class 5</td> <td>0% to 2%</td> <td>Concept Screening</td> <td>Capacity Factored, Parametric Models, Judgment, or Analogy</td> <td>L: -20% to -50% H: +30% to +100%</td> <td>1</td> </tr> <tr> <td>Class 4</td> <td>1% to 15%</td> <td>Study or Feasibility</td> <td>Equipment Factored or Parametric Models</td> <td>L: -15% to -30% H: +20% to +50%</td> <td>2 to 4</td> </tr> <tr> <td>Class 3</td> <td>10% to 40%</td> <td>Budget, Authorization, or Control</td> <td>Semi-Detailed Unit Costs with Assembly Level Line Items</td> <td>L: -10% to -20% H: +10% to +30%</td> <td>3 to 10</td> </tr> <tr> <td>Class 2</td> <td>30% to 70%</td> <td>Control or Bid/ Tender</td> <td>Detailed Unit Cost with Forced Detailed Take-Off</td> <td>L: -5% to -15% H: +5% to +20%</td> <td>4 to 20</td> </tr> <tr> <td>Class 1</td> <td>50% to 100%</td> <td>Check Estimate or Bid/Tender</td> <td>Detailed Unit Cost with Detailed Take-Off</td> <td>L: -3% to -10% H: +3% to +15%</td> <td>5 to 100</td> </tr> </tbody> </table>	ESTIMATE CLASS	Primary Characteristic	Secondary Characteristic				LEVEL OF PROJECT DEFINITION Expressed as % of complete definition	END USAGE Typical purpose of estimate	METHODOLOGY Typical estimating method	EXPECTED ACCURACY RANGE Typical variation in low and high ranges [a]	PREPARATION EFFORT Typical degree of effort relative to least cost index of 1 [b]	Class 5	0% to 2%	Concept Screening	Capacity Factored, Parametric Models, Judgment, or Analogy	L: -20% to -50% H: +30% to +100%	1	Class 4	1% to 15%	Study or Feasibility	Equipment Factored or Parametric Models	L: -15% to -30% H: +20% to +50%	2 to 4	Class 3	10% to 40%	Budget, Authorization, or Control	Semi-Detailed Unit Costs with Assembly Level Line Items	L: -10% to -20% H: +10% to +30%	3 to 10	Class 2	30% to 70%	Control or Bid/ Tender	Detailed Unit Cost with Forced Detailed Take-Off	L: -5% to -15% H: +5% to +20%	4 to 20	Class 1	50% to 100%	Check Estimate or Bid/Tender	Detailed Unit Cost with Detailed Take-Off	L: -3% to -10% H: +3% to +15%	5 to 100
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<p>A3.1</p>	<p>It’s the City’s preference to secure defined rates for the Capacity Charge and Non-Energy Operating Cost Charge (refer to Supplement i: Proposed Rate Structure and Risk Allocation) as opposed to a traditional utility cost of service rate model.</p> <p>The rates submitted by the Proponent will form the basis for negotiating the energy purchase agreement with the identified lead Proponent(s). The level of cost definition and all other financial assumptions should be informed by what the Proponent requires in order to prepare its commercial proposal and provide the rate offering requested.</p> <p>While the City encourages Proponents to submit Proposals that align with the requested rate structure, Proponents could also choose to submit alternate proposals that align closer to a traditional cost of service model if they feel it would present better value to the City. We would want such alternate proposals to include clarity on the risks being allocated to each party.</p>																																									

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Q3.2	What level of contingency would the City expect proponents to carry in their capital cost estimates?
A3.2	Refer to A3.1
Q3.3	<u>Questions on the Form of Agreement:</u> a. What are the terms that are contemplated under the Section 219 Covenant, the Statutory Right of Way and the Option to Purchase?
A3.3	The City is seeking the ability to ensure continuity of service under a bankruptcy or other types of distress scenarios. This would be part of the negotiation with the successful Proponent before finalizing an agreement.
Q3.4	b. Please confirm the following understanding: Pursuant to the TEPA, the Seller is required to obtain all approvals for the construction and operation of the Seller’s Plant within 240 days after the execution of the TEPA, in respect of the initial Nominated Capacity set out in Schedule 4 to the TEPA, and is required to provide service to the level set out in the first Nominated Capacity Increase Notice within 18 months after the delivery thereof by the City to the Seller. The City is not required to deliver the first Nominated Capacity Increase Notice within any particular timeline, and accordingly there is no requirement to commence the purchase of System Water under the TEPA by any particular date.
A3.4	Correct - this agreement sets the framework for adding Nominated Capacity as required and purchasing Thermal Energy. The Proponent may propose alternate durations for obtaining approvals or bringing on capacity if the provided durations are not feasible. However, the City is seeking a Proponent who can secure regulatory approvals, if required, in a time-line that will align with providing service to the first development in NEFC and is seeking a Proponent who can bring on future capacity timed with major developments.
Q3.5	c. Does the City have any specific source(s) of Fuel that it may require pursuant to Section 7.1(b)?
A3.5	No, nothing specific at this time. The purpose of this clause is to ensure the City is able to make use of a specific fuel supplier in the event that the City gains access to a favorable pricing for feedstock that is compatible with the Sellers plant equipment.
Q3.6	d. Can the City please provide a basis for the calculation of each of the LDs?
A3.6	The basis for each LD is described in Part B section 3b, 3d, and 3e of the RFP. Each of these provisions is meant to be an estimate of the economic and other losses that the Buyer will incur if the Seller breaches its requirements. The LD

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	conditions are subject to negotiation with the lead Proponent(s).
Q3.7	e. Why is there no mutual right of termination for the Seller if the City breaches the provisions of the TEPA?
A3.7	The Proponent can propose changes to the TEPA in Appendix 6 of Part C.
Q3.8	f. What is the scope of the Option to Purchase? Note this term is not defined in the form of agreement
A3.8	Refer to A3.3. The term is defined as “Section 219 Covenant, Statutory Right of Way, and Option to Purchase” in Part D - Appendix 1
Q3.9	g. There may be implications to a Fuel Switch other than physical changes to the Seller’s Plant. For example, the cost of any alternative Fuel may be higher, and accordingly there may be an impact on the Thermal Energy Rates charged by the Seller. Is the City prepared to accept any changes to the Thermal Energy Rates associated with a required change to the Fuel directed by the City?
A3.9	Fuel costs are intended to be a flow-through cost to the City on an efficiency adjusted basis through the Input Energy Charge (refer to supplement i: Proposed Rate Structure and Risk Allocation). If the City requests a fuel switch and the Seller is able to accommodate the fuel switch without physical changes to the plant then the City would start paying an Input Energy Charge based on the new Input Fuel cost.
Q3.10	h. Can CoV provide a word copy of the form of agreement?
A3.10	Yes. This document will be made available in the FTP site.
Q3.11	<u>Questions on Financial/Proforma:</u> a. What assumptions should proponents make around AFUDC costs?
A3.11	Refer to A3.1
Q3.12	b. Will the initial capital cost need to be fully recovered over the life of the contact?
A3.12	Refer to A3.1
Q3.13	c. What cost of capital/financing costs should proponents use in estimating their rates?
A3.13	Refer to A3.1
Q3.14	d. Should these capital costs apply to the entire capital spend of the project?

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A3.14	Refer to A3.1
Q3.15	e. Can income tax costs be recovered from NEFC ratepayers?
A3.15	Refer to A3.1
Q3.16	f. Who is responsible for recapitalization costs (if relevant)?
A3.16	Refer to A3.1
Q3.17	g. Will the proponents be responsible for distribution infrastructure costs necessary to connect to the proposed NEU pipe?
A3.17	Refer to Part B section 3f.iii of the RFP
Q3.18	h. How can a proponent demonstrate financial capacity to pay liquidated damages in the event of not providing service, or alternatively, quantify the likelihood of not meeting the City of Vancouver’s resiliency requirement?
A3.18	Financial capacity would be demonstrated through Performance Security in the form of a Letter of Credit for an amount equal to the Limit of Liability Based on the reliability of the technology selected, the Proponent should select a level of redundancy and resiliency measures appropriate to ensure a consistent and reliable energy supply. Any limitations should be identified in the Proposal.
Q3.19	There are some terms in the form of agreement that we are not comfortable with, how do we propose amendments?
A3.19	The Proponent may propose amendments to the form of agreement in Appendix 6 of Part C to form part of its Proposal.
Q3.20	In a case where a requirement is having a significant impact to the cost of energy, can we propose an alternative approach?
A3.20	The Proponent is encouraged to identify opportunities for cost savings. If there are requirements that result in significant cost impacts, the Proponent can include, as part of their Proposal, an optional alternate approach stating the impact to the proposed cost of energy.

END OF Q&A No. 3