



## **Contract Assignment: Operations and Maintenance Contract for Combined Heat and Power and Emergency Generator Systems (Group 4)**

Item 6E

March 18, 2024

Building Investment, Finance and Audit Committee

**Report: BIFAC:2024-29**

**To:** Building Investment, Finance and Audit Committee  
("BIFAC")

**From:** Vice President, Facilities Management

**Date:** January 31, 2024

### **PURPOSE:**

The purpose of this report is to seek BIFAC's approval to assign the contract from Ecosystem Energy Services Inc. to Tecogen Inc. for up to \$8,907,240.84 (exclusive of taxes) for the operation and maintenance ("O&M") of the combined heat and power ("CHP") and emergency generator systems in Group 4 based on the outcome of Request for Proposals ("RFP") 19062.

BIFAC approval is required for this award as the term of the contract exceeds a term of five years and exceeds the \$5 million financial approval limit of TCHC's Procurement Award Committee ("PAC").

### **RECOMMENDATIONS:**

It is recommended that the BIFAC:

1. approve the contract assignment for operations and maintenance approved funding to Tecogen Inc. for up to \$8,907,240.84 (exclusive of taxes) for operations and maintenance of the combined heat and power and emergency generator systems in Group 4 as follows:
  - a. \$1,793,898.80 from May 1, 2024 to May 14, 2028, for the balance of the first seven years of the operations and

maintenance term. This value is an upset estimate and may change once reconciled with Ecosystem Energy Services Inc.;

- b. \$3,504,330.46 for an additional seven years of operations and maintenance, commencing May 15, 2028 at TCHC management's discretion;
  - c. \$3,609,011.58 for an additional six years of operations and maintenance, commencing May 15, 2035 at TCHC management's discretion; and
2. authorize the appropriate staff to take the necessary actions to give effect to the above recommendations.

## **REASONS FOR RECOMMENDATIONS:**

### **PROJECT BACKGROUND:**

In May 2019, RFP 19062 was issued to replace 177 diesel generators over five to ten years within 40 separate locations. Due to the number of generators to be replaced, the locations were divided into five separate groups.

The tender provided instructions that TCHC would evaluate the pricing proposal separately for all five groups and would award each group separately to the proposal with the highest net present value for the group. Proponents were required to submit pricing for all five groups to be considered for an award. The recommended awards were presented to the Procurement Award Committee as separate reports, resulting in a separate executed Main Design Build Agreement and Work Authorization for each location needing to be executed.

Ecosystem Energy Services Inc. provided the highest net value for all five groups. During the bid confirmation process, Ecosystem Energy Services Inc. identified that they did not have the capacity to successfully complete the scope for all five groups. Therefore, Ecosystem Energy Services Inc. was awarded three separate groups (Group 2, Group 4, and Group 5) for the Design, Build, Operate and Maintain Work Authorizations ("DBOMA") of CHP and emergency generator systems at 24 locations, as approved by the Board of Directors at its meeting of September 19, 2019 (Report TCHC:C2019-46).

Group 1 and Group 3 were retendered under RFP 19453 and awarded to JTS Mechanical Systems Inc.

Following the Board's approval, TCHC and Ecosystem Energy Services Inc. executed a Master Services Agreement for use with Design, Build, Operate and Maintain Work Authorizations for the CHP Project for Group 4. The two main elements of the project are the generator sets and the CHP plants. The construction for both elements were completed in 2021. All the sites have achieved substantial performance, and all the CHP plants continue to demonstrate the achievement of the CHP performance target.

Ecosystem Energy Services Inc.'s original bid for the project was based on transferring the O&M services component to a dedicated O&M provider after completion of the construction.

Since the O&M phase began, Ecosystem Energy Services Inc. has been subcontracting the major elements of the O&M services to the service arm of Tecogen Inc. (the CHP manufacturer). With more than two years of demonstrated performance, there is an opportunity to fully transition the O&M services to a dedicated O&M provider. Tecogen Inc. has agreed to take on the full scope of O&M services.

The recommended vendor has the capability and capacity to deliver the work within the timeline and pricing remains the same as the original bid provided by Ecosystem Energy Services Inc.

Approval for the assignment of Group 2, Group 4, and Group 5 is being requested through separate reports, given that the original RFP contemplated awarding groups separately, and because the contracts for each group will be assigned separately to Tecogen Inc.

It is recommended that BIFAC approve the contract assignment to Tecogen Inc. for the operation and maintenance portion for of the DBOMAs, in keeping with the scope requirements of RFP 19062.

#### **PROCUREMENT PROCESS:**

The contract assignment is allowed under Section 8, point 15.3.3 of the DBOMA document.

#### **IMPLICATIONS AND RISKS:**

As the current party to the DBOMAs, Ecosystem Energy Services Inc. is liable for all operations and maintenance requirements and will remain liable until the contract assignment is executed. The agreement contains an

assignment provision (section 15.5) upon consent of both parties. All bonds remain in place, as per the original agreement, leaving no risk to TCHC.

Performance will be evaluated in accordance with TCHC's Vendor Compliance evaluation system. Results gathered through reviews can be used to support decisions to remove underperforming vendors from TCHC's rosters and/or future bidding opportunities.

Funding for this award is within the 2024 CHP Operation and Maintenance budget. Funding beyond 2024 will be included in annual budget submissions.

**SIGNATURE:**

*"Allen Murray"*

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Allen Murray  
Vice President, Facilities Management

**STAFF CONTACT:**

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