

CITY OF BURNABY

FINANCE AND CIVIC DEVELOPMENT COMMITTEE

*HIS WORSHIP, THE MAYOR
AND COUNCILLORS*

**RE: ENERGY CONSERVATION PROJECT
LETTER OF INTENT - HONEYWELL CANADA LTD.**

RECOMMENDATIONS:

1. **THAT** Council approve the execution of a Letter of Intent leading to a Energy Performance Contract with Honeywell Canada Ltd.
2. **THAT** Council bring down a Capital Expenditure Bylaw, to cover the costs of the Concept Report, in the amount of \$208,000 (\$194,000 + GST).

REPORT

The Finance and Civic Development Committee at its meeting held on 2003 August 06, received and adopted the *attached* report requesting authority to execute a Letter of Intent with Honeywell Canada Ltd.

Respectfully submitted,

Mayor Derek Corrigan,
Chair

Councillor Dan Johnston,
Vice Chair

Councillor Nick Volkow,
Member

<p>COPY - CITY MANAGER - DIRECTOR ENGINEERING - DIRECTOR FINANCE - DIR.PARKS, REC. & CULT. SERVICES</p>

**TO: CHAIR AND MEMBERS OF THE FINANCE
AND CIVIC DEVELOPMENT COMMITTEE**

2003 August 06

FROM: DIRECTOR FINANCE

File:C58-23

**SUBJECT: ENERGY CONSERVATION PROJECT
LETTER OF INTENT - HONEYWELL CANADA LTD.**

PURPOSE: To seek authority to execute a Letter Of Intent with Honeywell Canada Ltd.

RECOMMENDATION:

1. THAT the Finance and Civic Development Committee recommend to Council the execution of a Letter Of Intent leading to a Energy Performance Contract with Honeywell Canada Ltd. and
2. THAT Council be requested to bring down a Capital Expenditure Bylaw, to cover the costs of the Concept Report, in the amount of \$208,000 (\$194,000 + GST).

REPORT

At it's meeting of 2003 March 10 Council adopted the Finance and Civic Development Committee's report requesting authorization for a call for proposals from pre-qualified energy service contractors (ESCo's) to conduct energy audits of City buildings and facilities, and to design and install energy-saving improvements to lighting, heating, air conditioning and ventilating systems.

A *Request for Qualification* was issued on 2003 May 07 which resulted in five B.C. Hydro approved contractors submitting proposals for evaluation. At it's meeting of 2003 July 09 the Finance and Civic Development Committee was informed that based on the financial strength of the company, references, experience & background, technical capabilities, project management, training & support, project mark-up & costs, savings guarantees and reporting protocols, **Honeywell Energy Services - Canada** was unanimously judged to be the best fit for the anticipated work.

At the 2003 May 07 meeting it was noted that the next step in the process was to develop a *Letter of Intent* that would document the criteria under which the city would enter into an Energy Performance Contract with Honeywell for the identification, construction/installation and guarantee of energy-saving improvements.

The Letter Of Intent has been drafted (copy under separate cover), the main criterion of which are:

- a Concept Report will be prepared detailing energy related improvements for up to 150 civic facilities and structures.
- the identified improvements, financed from internal reserves, will be paid back through energy savings, over a period of ten years.

- the cost of the Concept Report is \$194,000 (plus GST), to be, ultimately, financed out of the savings in energy consumption that result from the improvements (part of the ten year payback).
- if Honeywell determines that it cannot identify enough energy savings to cover the Concept Report and improvement costs, the agreement will be terminated without cost to the city.
- if Burnaby chooses not to proceed with the project we are only required to pay the cost of the Concept Report.
- if the stated energy savings are not realized at the conclusion of the project, Honeywell Canada Ltd. will reimburse the city for the balance of the costs incurred (the guarantee).

The signing of the Letter Of Intent is a commitment to the analytical work required to produce the Concept Report, therefore a bylaw is required, at this time, to front the costs incurred pending their payback by the energy saving improvements. The bylaw required is in the amount of \$208,000 (\$194,000 + 7% GST).

A future report will be presented to the Committee detailing the improvements identified in the Concept Report, authority to enter into an Energy Performance Contract with Honeywell and seeking up-front funding for the works involved in project.

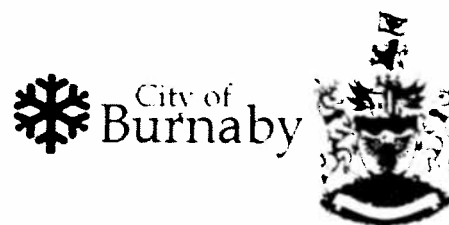
This report is provided for the consideration of the Finance and Civic Development Committee.



Rick Earle
DIRECTOR FINANCE

cc: City Manager
Director Engineering
Director Parks Recreation & Cultural Services
Chief Librarian

THE CITY OF BURNABY
4949 Canada Way
Burnaby, BC V5G 1M2



August 6, 2003

Honeywell Limited
Energy Services, Canada
300 – 3490 Gardner Court
Burnaby, BC V5G 3K4

Attention: Bernie Desabrais

Subject: Letter of Intent – Energy Performance Contract for
The City of Burnaby

Honeywell's response to the City's Request for Qualification, dated May 22, 2003, is included by reference and forms an integral part of this LOI.

The City of Burnaby and Honeywell Limited (Honeywell) intend to enter into an Energy Performance Contract to reduce energy and operating costs. This is an arrangement whereby Honeywell will design, install, commission, and maintain energy-related improvements to The City of Burnaby's facilities (see Schedule "A" attached) during the guarantee period.

An Energy Performance Contract is a program where the cost of the project is offset by the energy and applicable operational savings stream generated by the improvements. The savings will be monitored, verified, and guaranteed by Honeywell for the duration of the contract term. At the request of The City of Burnaby, Honeywell can waive any costs for maintenance, monitoring and verification, thereby deeming the guarantee and concluding the contract.

Honeywell will cooperate with existing contractors as it may, from time to time or on a long-term basis, impact their work or be advantageous to the City. Honeywell will work closely with the City to include and maintain their equipment standards in the solution development process.

Upon execution of this Letter of Intent, Honeywell will commence the development of a Concept Report and it will be a co-authored document with input from the City. This report will detail the energy and operational cost reduction strategies to be implemented at The City of Burnaby's facilities. Project cost and savings will also be identified in this report. Our Concept Report will meet the requirements as outlined on page four of BC Hydro's Energy Savings Opportunity Identification Study Request Application (see attached).

Honeywell and The City of Burnaby, agree as follows:

- The criterion for a project, built up from measures driven by energy and operational savings, is that it will meet an average simple payback of **10 years** or less. The simple payback will be determined as the project price divided by the total annual energy and operational savings. The project price is inclusive of PST but exclusive of GST and financing costs. Any grants or rebates identified for the project will be documented in the Concept Report and are strictly to the benefit of the customer
- In addition and at The City of Burnaby's request, Honeywell will investigate other longer payback and/or critical need measures that will not be driven by energy savings. If included

in the project, these measures will extend the payback period and may recognize Capital Cost Avoidance savings at The City of Burnaby's discretion.

- Although energy consumption for these buildings is at the centre of this project, it also includes considerations related to the equipment and facility life cycle and maintenance, air and lighting quality, water consumption, building envelope and other environmental benefits (such as greenhouse emissions savings).
- The price of this Concept Report to The City of Burnaby is **\$194,000.00** plus GST. If non-energy driven measures are investigated for the City of Burnaby, the Concept Report costs will be increased as mutually agreed by Honeywell and The City of Burnaby. An invoice will be issued upon delivery of the Concept Report and is payable within sixty- (60) days. However, if the parties sign an Energy Performance Contract, the above amount will be included as part of the overall Contract price.
- If Honeywell determines during the course of completing the Concept Report that it can not meet the above criterion, then Honeywell may terminate this agreement and The City of Burnaby will not be required to reimburse Honeywell for the Concept Report.
- Should The City of Burnaby choose not to proceed with the project for any reason, other than Honeywell's inability to meet the above criterion, then The City of Burnaby agrees to pay Honeywell the price of the Concept Report.

Upon execution of this Letter of Intent, The City of Burnaby agrees to work with Honeywell to finalize the terms and conditions for the Energy Performance Contract. Honeywell, with support from The City of Burnaby, shall begin to secure financing for the project (if required).

The City of Burnaby

Honeywell Limited

Signature *(with authority to bind)*

Signature *(with authority to bind)*

Name & Title

Name & Title

Date

Date

Schedule "A"

- | | |
|---|------------------------------|
| ➤ Cariboo Park | Armstrong Avenue And |
| ➤ Westridge School Park | 500 Duncan Avenue |
| ➤ Alta Vista Reservoir | 5172 Mckee Street |
| ➤ Byrne Road Pump Station (storm) | 5813 Byrne Road |
| ➤ Suncrest Park – Lights | 3801 Rumble Street |
| ➤ Barnet Pressure Reducing Station | 7790 Barnet Road |
| ➤ Burnwood Pump Station (water) | Curtis Street @ Burnwood |
| ➤ Sunset Pressure Reducing Station | 3860 Boundary Road |
| ➤ Delta Pressure Reducing Station | 950 Delta Avenue |
| ➤ Pandora Pressure Reducing Station | 7257 Pandora Street |
| ➤ Madison Pump Station (sanitary) | 2300 Madison Avenuee |
| ➤ Greenall Pressure Reducing Station | 3888 Marine Way |
| ➤ Sperling Pressure Reducing Station | 6685 Curtis Street |
| ➤ Gilmore Pressure Reducing Station | 50 S Gilmore Avenue |
| ➤ Montecito – Base Ball | Montecito Dr At |
| ➤ Royal Oak Pressure Reducing Station | 7888 Royal Oak Avenue |
| ➤ Portland Pressure Reducing Station | 6299 Portland Street |
| ➤ Patterson Pressure Reducing Station | 7750 Patterson Avenue |
| ➤ Price Pressure Reducing Station | 4095 Price Street |
| ➤ Rene Park – Lights | Sperling/Balmoral |
| ➤ Deer Lake Park – Sign | 5465 Sperling Avenue |
| ➤ Roseberry Pump Station (sanitary) | 8440 Roseberry Avenue |
| ➤ Harwood Park – Lights | Canada Way/Hardwick |
| ➤ Century Park Sign | 6489 Deer Lake Avenue |
| ➤ Joffre Pump Station (sanitary) | 3738 Keith Street |
| ➤ Rene Park | 6961 Sperling Avenue |
| ➤ Ernie Winch Park | 7600 13 th Street |
| ➤ Douglas Pump Station (sanitary) | 2636 Douglas Road |
| ➤ 10 th Ave Reservoir Control Room | 7740 20 th Street |
| ➤ Maywood Park | 6510 Mckay Avenue |
| ➤ Barnet House | 8550 Barnet Road |
| ➤ Richmond Park | 7400 Elwell Street |
| ➤ Keswick Park | 9482 Cardston Court |
| ➤ Stanley Pressure Reducing Station | 7690 Stanley |
| ➤ Francis / Fell – Irrigation | 5889 Curtis Street |
| ➤ Byrnepark Pressure Reducing Station | 6500 Byrnepark Drive |
| ➤ Willingdon Pump Station (sanitary) | 2561 Willingdon Avenue |

➤ Central Park Fieldhouse	3800 Kingsway
➤ Ron McLean Park	7820 Hedley Avenue
➤ Edmonds Park – Lights	7255 Edmonds Street
➤ Eastburn Annex	7443 Edmonds Street
➤ Oaklands Trail – Lights	North Oakmount Crescent
➤ Fraser Foreshore Park	4698 Byrne Road
➤ Confederation Lawn Bowl Club	100 N Willingdon Avenue
➤ Goring Pump Station (sanitary)	2280 Holdom Avenue
➤ Hasting & Mac – Fountain	3990 Hastings Street
➤ Recycling Depot	4800 Still Creek Avenue
➤ Eastbrook Pump Station (sanitary)	4536 Still Creek Avenue
➤ Cariboo Park – Lights	Armstrong Cariboo
➤ Warner Loat Park	4100 Piper Avenue
➤ Wesburn Field - Lights	4200 Moscrop Street
➤ Barnet Booster Station	8500 Barnet Road
➤ Kensington Park Pitch & Putt	Curtis and Dunlop
➤ Burnaby Heights Fieldhouse	3877 Eton Street
➤ Ron McLean Park	Hedley St/Clinton St
➤ Beta Pump Station (sanitary)	2425 Beta Avenue
➤ Confederation Field – Lights	Confederation Park
➤ Central Park Washroom	Central Park
➤ Harwood Park	5251 Hardwick Street
➤ Stride School Lights	Stride Ave/18 th Street
➤ Charles Rummel Centre	3630 Lozells Avenue
➤ Kensington Park Lights	6200 Curtis Street
➤ Deer Lake Beach	5435 Sperling Avenue
➤ Kaymar Pump Station (sanitary)	3889 North Fraser Way
➤ Squint Lake	1541 Greystone Drive
➤ S/E Community Police Station	7009 Kingsway
➤ Glenlyon Pump Station (sanitary)	4350 North Fraser Way
➤ Edmonds School	7600 Edmonds Street
➤ Central Park Variety Washrooms	3800 Blk Kingsway
➤ Wesburn Centre	4781 Parkwood Avenue
➤ Oakland Trail – Lights	Oakmount Crescent
➤ Delta Pump Station (sanitary)	2350 Delta Avenue
➤ Anderson House	4905 Deer Lake Avenue
➤ Riverway Fieldhouse	8600 Nelson Avenue
➤ Willingdon Park Lights	1200 Carleton Avenue
➤ South Centre Youth Centre	6730 Jubilee Avenue
➤ Alan Emmott Centre	6650 Southoaks Crescent
➤ Public Washroom	Byrne Road South Ft

➤ Forest Grove	8200 Forest Grove Drive
➤ Central Park Pitch & Putt	3883 Imperial Street
➤ S/E Community Police Station	7011 Kingsway
➤ Recycling Depot	4855 Still Creek Avenue
➤ South Burnaby Lawnbowling	4000 Kingsway
➤ Baseball Works Shed	Robert Bby on 4 th Street
➤ Meadow Pump Station (storm)	Thorne Avenue/Meadow Avenue
➤ Summer Games Field	4102 Sperling Avenue
➤ Boundary Pump Station (sanitary)	1 st Avenue/Boundary Road
➤ Stride Gas Reclamation Taylor Park	7599 Mission Avenue
➤ Mather House (4889 Deer Lk)	6460 Deer Lake Avenue
➤ Riverway Golf Course – Maintenance Bldg.	9005 Riverway Place
➤ Hastings/Brentwood Community Police Station	4191 Hastings Street
➤ Central Park Washrooms – Tennis	6300 Patterson Avenue
➤ Curtis/Duthie Pump Station (water)	Curtis Street @ Duthie
➤ Centennial Pavilion Washrooms	100 Centennial Way
➤ Westridge Pump Station (sanitary)	6000 Block Cambridge Street
➤ Cariboo Hill School Park	8670 16 th Avenue
➤ Civil Defence Building	4601 Albert Street
➤ Oaklands – Fountain Pumps	Oakland at Royal Oak
➤ Bridge Pump Station (sanitary)	3738 Henning Drive
➤ Fire Hall #4	2326 Duthie Avenue
➤ Texaco Building	8059 Texaco Drive
➤ Robert Burnaby Pool	8175 Wedgewood Street
➤ Royal Oak Bridge	5200 Royal Oak Avenue
➤ Kensington Pitch & Putt	Kensington Park
➤ Fire Hall #6	3620 Brighton Avenue
➤ McPherson Pool	5485 Rumble Street
➤ Wiggins Pump Station (sanitary)	Thorne Avenue/Wiggins Street
➤ Kensington Pool	700 Hammarkjold Drive
➤ Ceperly House – Barn	6344 Deer Lake Avenue
➤ Gilmour Pump Station (sanitary)	3950 Henning Drive
➤ Willingdon Community Centre	1491 Carleton Avenue
➤ Clydesdale Pump Station (sanitary)	4200 Blk Grandview Hwy
➤ Kincaid Pressure Reducing Station	4861 Canada Way
➤ S/W Community Police Station	6008 Willingdon Avenue
➤ Barnet Beach / New Washrooms / Workshed	8452 Barnet Road
➤ Myrtle Pump Station (sanitary)	2685 Gilmore Drive
➤ Confederation Community Centre	4585 Albert Street
➤ Nursery	3325 Piper Avenue
➤ Kingway Library	7252 Kingsway

- Edmonds Community Centre 7282 Kingsway
- Capitol Hill Pump Station (water) 215 N. Hythe Avenue
- Burnaby Heights Res. Centre 250 Willingdon Avenue
- Fire Hall #5 4211 Hastings Street
- Fire Hall #3 6511 Marlborough Avenue
- Service Centre 3443 Godwin Avenue
- Eastburn Recreation Centre 7435 Edmonds Street
- Riverway Golf Course 9001 Riverway Place
- Burnaby Mountain Golf Course 7500 Halifax Street
- Fire Hall #1 4867 Sperling Avenue
- McGill Library 4595 Albert Street
- Burnaby Lake SCW 3677 Kensington Avenue
- Swangard Stadium / Central Park Pool 6110 Boundary Road
- Service Centre 5780 Laurel Street
- Burnaby Lake Fieldhouse 3760 Sperling Avenue
- West Building 6161 Deer Lake Avenue
- Kingsgate Water Pump Station Gaglardi Way/Pump Station
- City Hall 4939 Canada Way
- Burnaby Village Museum 6501 Deer Lake Avenue
- Cameron Centre 9523 Cameron Street
- Shadbolt Centre 6450 Deer Lake Avenue
- Kensington Arena 6159 Curtis Street
- Burnaby Lake Arena / C.G. Brown Pool 3675 Sperling Avenue
- Bill Copeland Arena 3676 Kensington Avenue
- City Hall 4949 Canada Way
- Justice Building (RCMP) 6355 Deer Lake Avenue
- Metrotown Library 6100 Willingdon Avenue
- Eileen Daily Pool 240 Willingdon Avenue
- Bonsor Rec Centre 6550 Bonsor Avenue
- Stoney Creek Environmental Classroom 2730 Beaverbrook Crescent
- Creekside Youth Centre 2720 Beaverbrook Crescent
- Stride Youth Centre 7015 – 14th Avenue
- Rental House 6520 – 12th Avenue
- Parks House 6584 Deer Lake Avenue
- SPCA Building 3202 Norland Avenue

Terms of Reference

- 1.0 Honeywell will produce a Detailed Concept Report specifying energy and related operational cost reduction strategies for the facilities listed in Appendix A to the Letter of Intent (the Facilities), as further set out herein, and in further consultation with the City based on:
- 1.1 The information provided by the City,
 - 1.2 Information requested by Honeywell;
 - 1.3 Extensive field measurements;
 - 1.4 Interviews with the City's operating personnel; and
 - 1.5 A thorough and professional examination and review of the Facilities existing Utility systems.
- 2.0 It is anticipated that the Detailed Concept Report will be completed within seven- (7) months of the date of execution of this Letter of Intent. After the signing of the letter of intent, Honeywell will submit a Decision Schedule, which will outline the critical milestones and timelines for the development of the City's energy retrofit project. This is only an estimate at this time and will depend on the availability and access of information on site conditions.
- 3.0 The Detailed Concept Report will confirm the scope of each cost reduction strategy, its costs and the resulting Net Savings.
- 4.0 The Detailed Concept Report shall set out the overall concept and purpose of each cost reduction strategy to be undertaken for each of the Facilities.
- 5.0 The Detailed Concept Report shall develop the retrofit concept for each cost reduction strategy to a sufficient level of detail to enable the City to understand the retrofit and operational implications of each strategy and to enable Honeywell to establish the cost of each strategy and the Net Savings to be derived from each strategy.
- 6.0 The Detailed Concept Report shall set out the following information for each building comprising the Facilities:
- 6.1 Background information on the building including: *(much of this information to be provided by the City.)*
 - a. description of the building function including use, types of occupancy, and occupied hours;
 - b. description of current conditions and life expectancy of equipment considered under this study;
 - c. description of occupancy and operating modes noting variations over time.
contact information for facility managers and operators;
 - d. square footage and its changes (if any) following upgrades;
 - e. contact information for service contractors – mechanical, electrical, controls;
 - f. asbestos and PCB status provided by the City;
 - g. occupancy patterns;
 - h. description of Facility's Utility meters (if multiple meters for one Utility – how they are grouped) and their locations.
 - i. description of Utility suppliers and settlements – companies, type of rates, for each Utility;

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- j. description of availability of floor plans, technical drawings, Utility schemes – mechanical, electrical, BAS net, etc.; (if available from the City) and
 - k. attached floor plans with zones indicated. (Floor plans should be attached as an appendix. It is preferable that all drawings be supplied in electronic form (if available from the City).
- 7.0 A description of any Utility efficiency related investment plans which Facility management may already have.
- 7.1 A Utility analysis including a:
- a. detailed billing history for each Utility over the last 3 years;
 - b. description of assumptions made and explanation for any unusual billing figures;
 - c. validation of bills and preparation for future performance tracking;
 - d. preparation for future performance tracking including the factors, equations and methodology that will be used to determine the savings for each meter;
 - e. graphed illustration of consumption, demand and cost history for each Utility;
 - f. total Utility consumption by Utility type for last 3 years with calculated specific values for "per square metre";
 - g. computation of the Base Year energy performance index in $\text{ekWh/ft}^2/\text{yr}$ and average Watts/ft^2 by energy type;
 - h. provide baseline comparisons with other similar Facilities;
 - i. benchmark energy intensity target for Facilities; and
 - j. provide discussion of consumption and demand patterns that could be improved.
- 7.2 A description, by facility, of the existing equipment or systems, their present condition and operation methods and relevant drawings and schemes (i.e., for heating, lighting, air conditioning, air handling/ventilation, water supply/hot water supply; envelope and roof, building automation system, solid and liquid waste management systems)(information provided by City and their existing service providers if available);
- 7.3 A description, by facility, of each proposed efficiency cost reduction strategy, including:
- a. the purpose of the proposed cost reduction strategy;
 - b. a detailed description of the concept and key performance specifications of elements or pieces of equipment including a description of the impact on occupants, operators, and maintenance after retrofit;
 - c. a description of the background on the technology and hardware proposed including comments on Honeywell's part use of this technology and hardware;
 - d. the manufacturer's product name and codes;
 - e. for cost reduction strategies using Retrofit Isolation Options, a baseline Utility consumption and demand, and greenhouse gases (both direct and indirect) based on the last 3 years of Utility data, expressed in number of Utility units per month for each

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Utility type for the entire Contract period;

- f. an outline of any expected change in the capacity of the existing equipment;
- g. a description of existing Space Conditions and an outline of any impact that the cost reduction strategy may have on the Space Conditions at working positions for all operating modes (i.e. summer/winter, day/night, weekday/weekend and holiday);
- h. all specific steps necessary to ensure that the Space Conditions are properly maintained during and subsequent to the introduction of the cost reduction strategy and an explanation as to how Space Conditions may be improved as a result of the cost reduction strategy;
- i. the proposed implementation process and schedule including the location, timing and duration of on-site work;
- j. any new operating or maintenance requirements that will be required by the City including additional skills required of existing maintenance staff and the costs thereof that result from the implementation of the cost reduction strategy;
- k. a description of the training programs available for Facility managers and operators,
- l. a description of the awareness program options for building users;
- m. an outline of the effort expected of the City Representative, building managers and operators, or any other support required from the City, in the process of implementing the cost reduction strategy;
- n. an estimate of any anticipated contributions together with supporting documentation from relevant sources toward the Project Cost including, without limitation, from grants, subsidies, rebates or payments from Utilities and/or governments;
- o. an estimate of any contributions that the City has agreed to make toward the Project Cost;
- p. a report of implementation costs for each cost reduction strategy including and without limitation engineering and design costs, equipment costs, installation costs, management training, project management costs, and monitoring and verification costs. The report should include refundable taxes, mark-up, discounts and incentives and should indicate the contingency allowed;
- q. a report of energy savings by energy type in energy units and a cost for each ECM showing any contingency used. Details of all savings calculations and assumptions made are to be included;
- r. a description and estimate of the cost of any work and/or repairs required by the City to permit the implementation of the cost reduction strategies including a detailed description of the scope of the work, an estimate of the cost of the work, a description of the impact on the cost reduction strategies if the work is not undertaken and, in the event the City wishes Honeywell to perform the work, the impact on the Project Cost including adjustments required to the Guarantee Period to account for any additional costs (City's efforts must not negatively impact the energy savings guarantee provided by Honeywell);
- s. the overall economics of the cost reduction strategy in terms of:

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- i. its forecast annual reduction in Utility consumption, demand and costs;
 - ii. its forecast annual Net Savings; and
 - iii. its simple payback
- t. an outline of potential other benefits for the City;
 - u. a description of environmental impact considerations for construction and post-construction periods;
 - v. a list of retrofit ideas considered but rejected and the reasons for rejection;
 - w. an estimate of the total post construction energy performance index and comments comparing it to "state of the art" for retrofitting of this type of building;
 - x. an analysis of the Base Year data used to develop the mathematical model for proof of savings;
 - y. the forecast reductions in greenhouse gas emissions;
 - z. the proposed method of commissioning and verifying both the assumptions underlying and the magnitude of the Net Savings;
 - aa. the proposed method of monitoring Net Savings for the cost reduction strategy including any field monitoring to be done, the need, if any, for additional meters, and an outline of the implementation process and schedule, that identifies locations where work will be performed;
 - bb. the expected lifetime of all new equipment and the impact on the lifetime of existing equipment;
 - cc. the identification of new maintenance requirements for retrofit equipment (included in operation and maintenance manuals);
 - dd. any special Warranty Period for new equipment and any special service arrangements proposed (included in operation and maintenance manuals);
 - ee. anticipated interruptions or disruption for the City staff related to the installation of the cost reduction strategies;
 - ff. an estimate of the completion date; and
 - gg. the level of guarantee premium that Honeywell intends to apply to the costs and profits that relate to such cost reduction strategy.
- 7.4 All cost reduction strategies should be organised into the following three categories:
- Cost reduction strategies involving no cost and/or low cost recommended either for immediate implementation or for incorporating into the City's everyday routines (e.g., maintenance/procedures);
 - Cost reduction strategies requiring significant investment, but expecting short payback and recommended for immediate implementation; and
 - Cost reduction strategies requiring very high investment, or with longer payback period beyond ten years (e.g., envelope, equipment, etc.).

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- 8.0 In the event Honeywell identifies repairs in the Detailed Concept Report, required in order to permit a cost reduction strategy or the Project to proceed, the City shall have the option of paying for the work itself, outside the project, having the cost of the work included in the Project Cost subject to negotiating an extension of the Guarantee Period with Honeywell, or deciding not to do the work. If the City decides not to proceed with the work, they may eliminate the cost reduction strategy in question. In the event a particular cost reduction strategy is eliminated and the impact on the payback is substantial, the Guarantee Period shall be re-negotiated.
- 9.0 Individual cost reduction strategies may be changed in scope or eliminated with the City's approval in the event that upon closer examination by Honeywell and on the basis of a written explanation, Honeywell has deemed a particular cost reduction strategy to be no longer feasible.
10. As a result of completing the Detailed Concept Report, new cost reduction strategies may be added or changes made to the proposed cost reduction strategies within the written Energy Performance Contract provided Honeywell has clearly documented the scope of the changes proposed and the financial impact of these changes on the Project Cost.
- 11.0 Subject to section 12.0 below, the City shall use its best efforts to approve the Detailed Concept Report as the basis for a Business Case to proceed with the retrofit project as soon as possible after delivery. Please refer to terms in the Letter of Intent.
- 12.0 The City's Representative will inform Honeywell in writing of any concerns or questions that the City may have. If no such questions or concerns are raised, the Detailed Concept Report in question shall be deemed to have been approved by the City. Once approved by the City, the City shall endorse the concept report indicating acceptance.
- 13.0 The City may request (in writing) cost reduction strategies, in addition to those proposed in the Detailed Concept Report.
- 14.0 The City may request (in writing) enhancements or deletions of cost reduction strategies proposed in the Detailed Concept Report.
- 15.0 In the cases described in section 13.0 and section 14.0 above, Honeywell shall set out the impact of the cost of the proposed request, including the impact of the proposed changes on the Guarantee Period and the parties shall negotiate either an increase or decrease in the Baseline Utility Consumption. Honeywell reserves the right to adjust the concept development costs if deemed necessary due to the increased study scope of work.
- 16.0 Honeywell shall submit a project implementation schedule as an Appendix to the Detailed Concept Report, which will include a completion date for each cost reduction strategy. The Appendix, once approved, cannot be changed without the approval of the City. The project implementation schedules should provide details of the proposed disruption to occupants' workplaces during the implementation of the cost reduction strategies. The schedule will be adjusted to reflect the actual date of signing the Concept Report.
- 17.0 Honeywell will provide a report describing overall project costs including fees, rates, and costs of engineering, design, equipment, and installation. Also included are training and monitoring, and verification costs. This report will indicate financing costs proposed and include a cash flow for the project on a monthly basis.