Agreement with PowerON for Durham Region Transit's Electrification Infrastructure

Finance and Administration Committee
June 11, 2024

Agenda

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3. Framework Agreement Structure
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6. Benefits & Opportunities
7. Value Comparison (PowerON vs. DBOM)

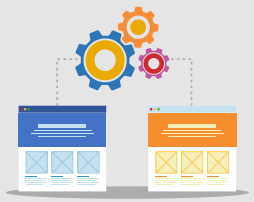
Overview & Background

- October 4, 2024 (2023-DRT-23) TEC approved, in principle, a partnership framework and authorized negotiations of a Principal Agreement with PowerON
- Negotiations have been supported by Transit, Legal, Works and Finance staff
- Long-term integrated program-based solution that is flexible and responsive to the evolving electrification and technology requirements
- Principal Agreement has been negotiated with PowerON for turnkey electrification infrastructure services
  - EPC (Engineering, Procurement and Construction)
  - O&M (Management, Operations and Maintenance)
  - Program Management (Asset Management, Integration and Optimization)

Why PowerON?

Electrification is New and Complex

The delivery of integrated electrical charging infrastructure is not something the Region has experience in, particularly with respect to the size and scope of a transit fleet and surrounding infrastructure



Flexible and Robust Contracting Approach

The contract structure provides a phased approach, that benefits from a competitive Vendor of Record (VOR), economies of scale and open book accounting, which reduces risk to the Region and ensures current needs and considers future growth

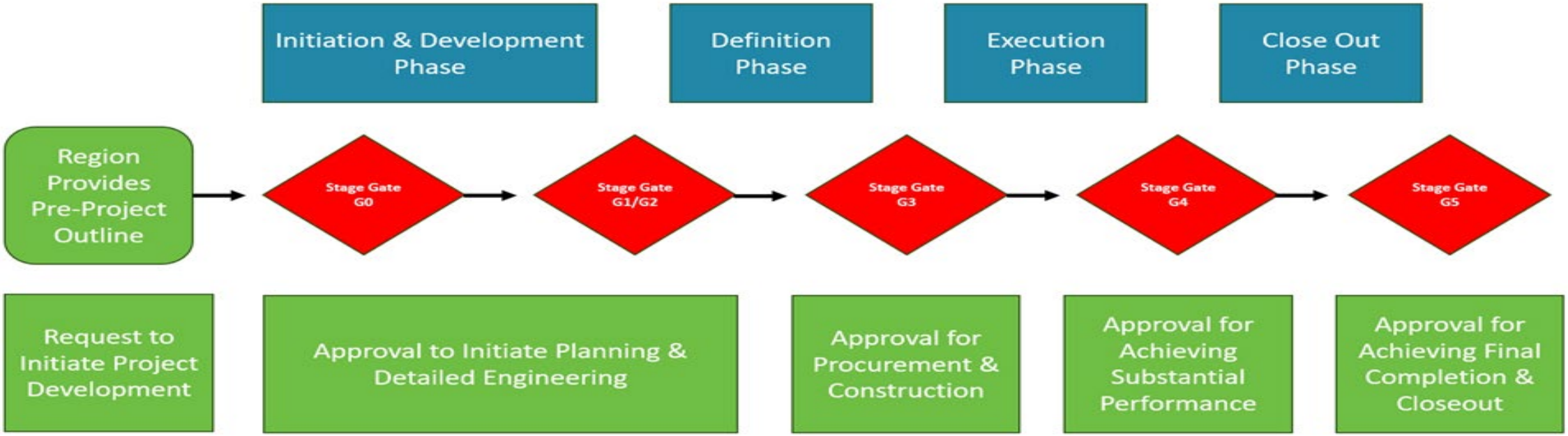
Consistent with External Funding

There are provisions in the negotiated contract that ensure the Region would not lose funding opportunities from senior level government, and in fact where opportunities are merit-based, this structure may improve application chances

Turnkey Approach

The proposed contract includes capital delivery, O&M, and integration services, along with the potential, at the Region's sole discretion, additional services to reduce energy costs and monetize carbon reductions

Framework Agreement Structure



- Departmental collaboration
- Reduced risk of change orders
- Fixed pricing (including capital, operations and maintenance and asset management at Stage Gate 3)

Cost Overview

EPC Services

- Capital Costs
- PowerON Labour Costs – billed at cost (including overhead); capped at percentage of capital costs
- Construction Management Fee – predetermined percentage of capital costs

Incentive Fee

- If capital project is delivered under approved budget, including contingency, cost savings are shared with PowerON, subject to certain limitations

O&M Services

- Preventative Maintenance Costs – billed at cost (including overhead)
- Corrective Maintenance Costs - billed at cost (including overhead)
- Operations and Maintenance Fee – predetermined percentage of annual preventative and corrective maintenance costs for electrification infrastructure

Program Management Services

- Fee for asset management, program integration and optimization services for electrification infrastructure
- Fee is a predetermined percentage on the Net Asset Value (depreciated annually) for each infrastructure project implemented under the agreement
- Fees are paid annually for the useful life of each asset

Benefits & Opportunities

Costs 	— Access to the PowerON VOR, which are expected to significantly reduce capital costs through bulk purchasing, risk identification — The fee structures for PowerON are predefined — Transparent and open-book accounting on all service-related work
Risk Transfer & Reduction 	— Cost controls such as fixed price capital delivery and performance guarantees — Access to specialized services and knowledge on electrification infrastructure delivery and operations
Schedule Compression 	— Through the VOR existing competitive procurements can be “piggy-backed,” and/or re-issued more quickly — There is more flexibility in project delivery, specifically the opportunity to order long-lead equipment at earlier construction phases
Framework Approach 	— Ensures electrification of the DRT fleet is a Program and not individual projects through integration of fleet and facility construction and operations — Better understanding and costing of how under-building to current needs only may result in significant cost increases later on — A flexible approach that can pivot with the changing dynamics of the electrification industry
Knowledge Sharing & Capacity Building 	— Opportunity to learn from experts in the field of electrification and from a community of practice with other Transit Agencies (TTC, Oakville Transit, Regina Transit and Barrie Transit) already having contracts with PowerON

Value Comparison (PowerON vs. DBOM)

Cost Element	PowerON	DBOM	Notes	
EPC	$13,600,000	$14,175,000	• $13.6 million was chosen as the value of the capital works • Phased procurement and flexible capital deployment mitigates change order risk	• Lump sum based on 5-year outlook (set at the outset), includes the same PowerON fees + 15% premium • The 15% premium includes unrealized cost savings (10%), and change order risk (5%) • This excludes the labour cost pass-through
Consultants/Staff (EPC)	$340,000	$1,417,500	• Assumed 2.5% for administration	• Assumed 10% of EPC cost to prepare procurement documents, technical feedback, and overall management
O&M (15 years)	$5,256,000	$6,307,200	• $5.256 million was chosen as the value of the O&M costs	• Assumed 20% premium to account for pricing risk based on initial contract specifications and terms
Program Management	$1,574,925	N/A	• This fee represents the asset management work for life-cycle optimization, overall integration and planning and knowledge transfer. This fee is based on the terms negotiated in the Principal Agreement	
Consultants/Staff (Program Management)	N/A	$1,419,120	• Assumes 1.5% * 15 years, to try to ensure the same life-cycle optimization, integration and planning and knowledge transfer. This is an estimate only	
TOTAL	**$20,770,925**	**$23,318,820**		

- The above is based on estimates and assumptions and can be modified. Some vetting internally and externally was completed. This example does not contemplate under- or over-budget scenarios on either PowerON or DBOM
- Schedule compression is not factored in, nor its financial benefits

Questions?

Thank you

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