

Clause 4 in Report No. 10 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on May 21, 2015.

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Durham York Energy Centre Update

Committee of the Whole recommends adoption of the following recommendation contained in the report dated May 1, 2015 from the Commissioner of Environmental Services:

1. Recommendation

It is recommended that this report be received for information.

2. Purpose

This report provides an update on the design, build and operate contract for the Durham York Energy Centre facility.

3. Background

Durham York Energy Centre is a significant component of York Region's sustainable residual waste management program

In November 2010, Durham and York Regions received approval under the *Environmental Assessment Act* to proceed with design, permitting, construction and operation of the Durham York Energy Centre, a state-of-the art energy-from-waste facility located near Osborne Road and Highway 401 in the Municipality of Clarington, Durham Region. The facility will initially process up to 140,000 tonnes of residual waste per year while recovering recyclable metals and generating electricity for export to the Ontario power grid. The facility was designed, constructed and is being operated by a private contractor, Covanta Durham York Renewable Energy Limited Partnership (Covanta).

Notice to Proceed was given to Covanta on August 16, 2011 and in February 2012, Covanta's general contractor, Courtice Power Partners (CPP), mobilized its forces and initiated site preparation for construction.

Facility construction is complete and the commissioning and acceptance phases are in progress. Waste deliveries started on February 9, 2015 followed by commencement of waste processing on February 13, 2015. As of April 30, 2015, the facility has processed over 25,800 tonnes of municipal solid waste from York and Durham Regions.

4. Analysis and Options

Commissioning activities allow facility to establish normal operating conditions prior to start of Acceptance Test

As part of the commissioning requirements, Covanta is required to operate the facility for a period of at least 28 cumulative days at 75 per cent capacity or higher prior to starting the Acceptance Test. This phase is intended to bring facility operation into an acceptable operating condition after which Acceptance Test procedures can begin. The boilers have now registered cumulative 28 days of operation at or above 75 per cent rated capacity and Acceptance Test procedures are anticipated to begin in June 2015.

Successful performance of the Acceptance Test transitions the facility from construction phase to operating phase

Under the Project Agreement, the Durham York Energy Centre will formally enter the operation phase (achieve "Service Commencement") when the Acceptance Test Certificate is issued by the Regions and the following conditions are met:

- Substantial performance achieved as per *Construction Lien Act*.
- There is an agreed-to list of outstanding work that does not materially affect plant operations, including an amount of money to be withheld for each outstanding item and a schedule for completion.
- The draft operations and maintenance manual has been submitted.
- Draft as-built drawings have been submitted for all mechanical, electrical and process-related systems.
- Warranty documentation has been provided.
- Operation phase performance security is provided by Covanta.
- All required permits and approvals have been obtained.

This milestone is expected to be achieved in Q3 2015.

Link to key Council-approved plans

Council has endorsed the 4th “R” (energy recovery) as the preferred method for managing non-recyclable waste. The Regional Official Plan establishes a goal of 90 per cent diversion from landfill by 2016 and 100 per cent diversion from landfill by 2020. Energy recovery from waste is also identified as an important objective in the York Region Sustainability Strategy, the 2015 to 2019 Strategic Plan, and Vision 2051. The Durham York Energy Centre is critical, Region-owned infrastructure that supports these goals.

5. Financial Implications

Durham York Energy Centre facility design and construction phases are being delivered within the total contract cost

Payments to contractor are based on the lump sum bid price of \$235,759,000 plus a \$10,801,332 construction adjustment for inflation and \$9,000,000 for architectural enhancements for a total price of \$255,560,332. The total lump sum is paid to the contractor through nine milestone payments that cover the period from Notice to Proceed to issuance of the Acceptance Test Certificate for the design build work. At this time, there are only two remaining milestone payments to be requested representing ten per cent of the total lump sum bid price.

The total approved capital budget for York Region’s share of the project is \$76,689,000 and sufficient to cover all milestone payments to Covanta.

2015 operating budget reflects updates to Covanta’s original proposal costs

The approved 2015 solid waste operating budget includes project costs that are additional to Covanta’s original 2009 proposal. These costs include:

- Operating fee adjustments to comply with more stringent Guideline A-7 (air emissions standards).
- Adjustments for annual inflation and commodity price increases as provided for in the Project Agreement.
- Waste transportation (from transfer stations to the Durham York Energy Centre).
- Other costs shared by Durham and York Regions that are outside Covanta’s scope of work, as approved through the Co-owners’ Agreement, including municipal staff to operate the facility’s truck weigh

scale, contributions to household hazardous waste collection depot in Clarington, supplemental environmental monitoring, public liaison, consulting and independent third-party audit costs.

Approved 2015 operating budget costs related to the Durham York Energy Centre are summarized in Table 1 below.

Table 1
Durham York Energy Centre
York Region Budgeted Annual Operating Costs

Description	York Total	Per Tonne
Transportation and Processing Costs		
Adjusted Net Covanta Annual Operating Fee ¹	\$1,860,000	\$62
Waste Transportation	\$300,000	\$10
Total Net Transportation and Processing Costs	\$2,160,000	\$72
Other Shared Costs ^{2,3}	\$258,000	\$9
Total Operating Cost	\$2,418,000	\$81

1. Operating fee net of electricity and metal recovery revenue.
2. Other shared costs include municipal staff to operate the facility's truck weigh scale, contributions to a household hazardous waste collection depot in Clarington, supplemental environmental monitoring, public liaison, consulting and independent third-party audit costs.
3. Alternate processing during outages is not included in Table 1, but is included in the total annual operating budget.

6. Local Municipal Impact

York Region is committed to waste diversion and provision of sustainable, long-term waste management programs. York Region continues to partner with local municipalities on current waste diversion programs and future waste management program direction through the Integrated Waste Management Master Plan. Together with our local municipalities, York Region achieved number one ranking by Waste Diversion Ontario (WDO) for 2013 in addition to driving forward waste diversion, as well as a new focus on waste reduction. The Durham York Energy Centre will contribute to provision of sustainable, long-term residual waste services to the local municipalities.

7. Conclusion

The Durham York Energy Centre is currently receiving and processing residual waste. The commissioning phase of the contract is nearing conclusion with acceptance testing planned to commence in June 2015 prior to initiation of the operating phase.

For more information on this report, please contact Mike Rabeau, Director, Capital Planning and Delivery, Environmental Services at ext. 75157.

The Senior Management Group has reviewed this report.

May 1, 2015

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