

Section 9 Table of Contents

| | |
|--|-------------|
| 9. Vendor Identification Process | 9-4 |
| 9.1 Stage 1: Request for Qualifications (RFQ) Process | 9-4 |
| 9.1.1 RFQ – Proponent Submissions | 9-5 |
| 9.1.2 Evaluation of Submissions | 9-5 |
| 9.1.2.1 Evaluation of Mandatory Requirements | 9-6 |
| 9.1.2.2 Evaluation of Rated Requirements | 9-6 |
| 9.1.2.3 Technical Requirements | 9-6 |
| 9.1.2.4 Financial Requirements | 9-8 |
| 9.1.2.5 Failure to Comply | 9-9 |
| 9.1.2.6 Fairness Monitor Review of RFQ Process | 9-10 |
| 9.1.3 Recommended Short List of Pre-Qualified Proponents | 9-13 |
| 9.2 Stage 2: Request for Proposals (RFP) Process | 9-13 |
| 9.2.1 Evaluation of Submissions | 9-14 |
| 9.2.1.1 Evaluation of Mandatory Criteria | 9-17 |
| 9.2.1.2 Evaluation of Rated Criteria | 9-17 |
| 9.2.1.3 Technical Considerations | 9-17 |
| 9.2.1.4 Project Delivery Considerations | 9-19 |
| 9.2.1.5 Cost and Commercial Considerations | 9-19 |
| 9.2.1.6 Fairness Monitor Review of RFP Process | 9-22 |
| 9.2.2 Recommended Preferred Vendor | 9-23 |
| 9.3 Confidentiality and the Procurement Process | 9-26 |

List of Tables

| | |
|---|-------------|
| Table 9-1 Scoring of Rated Criteria | 9-10 |
| Table 9-2 Addenda Issued During the RFP Process | 9-15 |
| Table 9-3 RFP Mandatory Requirement | 9-17 |
| Table 9-4 RFP Substantive Requirement | 9-20 |
| Table 9-5 RFP Substantive Requirement - Cost and Commercial Elements | 9-22 |

List of Figures

Section 13 has no figures

Section 9 Summary

At the completion of the site identification phase of the EA Study, it was necessary to assess the potential environmental effects of a Proposed Thermal Treatment Facility (the Facility) located on the Proposed Thermal Treatment Facility Site (the Site). However, the major components of thermal treatment technologies are proprietary and can differ from vendor to vendor. As a result, it was necessary to proceed through a competitive public procurement process to identify and engage a vendor of the preferred thermal treatment technology.

To engage a vendor qualified and capable of providing for the design, construction and operation of the Facility, a two stage competitive process was utilized involving a Request for Qualification (RFQ) followed by a Request for Proposal (RFP). This process was conducted in parallel with the EA Study process.

Based on the submission evaluation process, five (5) proponents were pre-qualified to submit detailed proposals in response to the RFP.

On August 22, 2008 the RFP was issued to the five pre-qualified proponents. The RFP, which closed on February 19, 2009, resulted in four (4) submissions for the design, construction and operation of the Facility.

Based upon current best practices and considering the magnitude and complexity of the Project, the entire RFP process was subjected to rigorous due diligence rules and procedures consistent with common best practices applied by major provincial and federal infrastructure procurement agencies across Canada to ensure integrity and an ability to withstand any challenge regarding any impropriety.

The evaluation team assessed proposals on the basis of pre-approved evaluation criteria included in the RFP document that considered the technical, project delivery, cost, and commercial elements of the proposals.

Based on their consensus evaluation, the evaluation team unanimously recommended Covanta Energy Corporation (Covanta) as the preferred vendor. Negotiations between Covanta and the Regions are ongoing as of the date of submission of the EA. Some of the details relating to the vendor identification process remain confidential in accordance with standard public procurement practices and could not be included in the EA Study documents. In terms of the RFP process, Covanta not only achieved the highest aggregate score of any of the bidders, but also achieved the highest score in each of the three elements outlined in the RFP.

In accordance with the results of the RFP process, Covanta is to be the single source, full service contractor to design, permit, build, startup, commission and operate a Thermal Treatment Facility with an initial design capacity of 140,000 tonnes per year (tpy) that is expandable to a maximum design capacity of 400,000 tpy for the Regions. Covanta is the largest provider of thermal treatment services in North America with 35 operating facilities in the United States, including 24 that were designed and built directly by Covanta. The Covanta Team includes: Aecon Group, Inc. (Construction Services); Sigma Energy Solutions (Engineering); McMillan Associates (Architects); CH2M Hill (Environmental Consultant); and

Section 9: Vendor Identification Process

Miller Waste Systems (Waste Disposal/Transportation). This team will be supplemented with additional expertise as required during the detailed design and construction processes.

9. Vendor Identification Process

At the completion of the site identification phase of the EA Study, it was necessary to assess the potential impacts of the Proposed Thermal Treatment Facility (the Facility) on the Proposed Thermal Treatment Facility Site (the Site). However, the major components of thermal treatment technologies are proprietary and can differ from vendor to vendor and as a result, in order to undertake these impacts assessments at a sufficient level of detail to support the EA, it was necessary to proceed through a competitive process to identify and engage a vendor of the preferred thermal treatment technology.

To engage a vendor qualified and capable of providing for the design, construction and operation of the Facility, a two stage competitive public procurement process was utilized involving a request for qualifications (RFQ) process, followed by a request for proposal (RFP) process. Both the RFQ and RFP documents were available to any interested members of the public. This two stage competitive process was conducted in parallel to, and separate from the EA Study process.

Stage 1: Request for Qualifications (RFQ)

As the first step in identifying the Preferred Technology Vendor, Durham and York solicited qualifications from technology vendors through the issuance of a RFQ. The information provided by respondents was used to identify the Qualified Respondents who were subsequently invited to submit proposals in response to a RFP.

Stage 2: Request for Proposals (RFP)

Following the completion of the RFQ stage, Qualified Respondents were invited to submit detailed proposals in response to a Request for Proposals for the design, construction and operating contract of the Facility. The Regions evaluated the detailed proposals received from the Qualified Respondents and recommended a preferred vendor to Durham and York Regional Councils. Staff then obtained authorization from the Regional Councils to proceed with the development and negotiation of a contract with the identified Preferred Technology Vendor.

The RFQ and RFP processes followed a “state-of-the-art” process that applied common best practices used by major provincial and federal infrastructure procurement agencies across Canada. This process included adherence to a strict anti-lobbying clause included within the documentation for both processes, which was also reported to Durham and York Regions, and local staff and Councils. Due diligence and communications were strictly monitored throughout both stages of the competitive process.

9.1 Stage 1: Request for Qualifications (RFQ) Process

In 2007, the Regions initiated the development of the RFQ. The procurement document was developed with input from the Regions’ technical, financial, procurement, and legal advisors each responsible for developing components of the procurement documents based on their areas of expertise. Once complete, and authorization had been received from Regional Councils to release the document, the RFQ was issued in July 12, 2007. Notification of availability of the RFQ was issued through a number of public sources including the Region’s

Section 9: Vendor Identification Process

website, the Durham/York study website, advertisements on procurement sites (e.g., Merx, Biddingo, etc.) as well as notification to industry and business associations. The following describes the vendor pre-qualification process.

9.1.1 RFQ – Proponent Submissions

The RFQ issued by Durham on behalf of both York and Durham, closed on October 11, 2007 (see **Appendix B** for the RFQ). Nine (9) respondents provided eleven (11) submissions for consideration as listed below (in no particular order):

- City of Amsterdam Entity of Afval Energie Bedrijf (Waste and Energy Company AEB);
- Dongara Pellet Plant LP; Algonquin Power Systems Inc.; MCW Light Heat Cool; The State Group;
- Veolia Environmental Services Waste to Energy Inc.; AMEC/Black & McDonald;
- Greey CTS Inc.; Entech – Renewable Energies P/L; HighPoint Financial Services Inc.; Aecon Construction Group Inc.;
- Covanta Energy Corporation;
- WRSI/DESC Joint Venture; Fisia Babcock Environmental GmbH; Kiewit Industrial Company; Morgan Stanley Biomass LLC; Babcock & Wilcox;
- ATCO Power Canada Ltd.; Thermostelect; Morrison Hershfield; EllisDon; Wabi;
- Wheelabrator Technologies Inc. (A Waste Management Company); and,
- Urbaser SA (3 submissions).

9.1.2 Evaluation of Submissions

Three (3) teams (procurement, financial and technical) composed of staff from both Regions and the consulting firms of Deloitte & Touche LLP, Jacques Whitford and GENIVAR, were assembled to evaluate the submissions. An independent third party fairness monitor and legal advisor were consulted as required during the evaluation process (see Section 9.1.2.6).

Subject to the approval of Durham Council and York Council, a RFQ Respondent was deemed to be a qualified respondent (“Qualified Respondent”) if its RFQ Submission:

1. Met all the mandatory criteria; and
2. Obtained the minimum grade of 60% on each of the following criterion:
 - a. Criterion 1: Reference Facilities;
 - b. Criterion 2: Thermal Treatment Facility;
 - c. Criterion 3: References; and,
 - d. Criterion 4: Financial Requirements.

All decisions on whether a RFQ Submission met the above two requirements were matters within the sole discretion of the evaluation committee to determine. The Regions reserved the

Section 9: Vendor Identification Process

right to request additional information from RFQ Respondents at any time(s) after the Closing Date, including during the evaluation stage, and to request that RFQ Respondents attend a clarification meeting(s). Only Qualified Respondents authorized by both Durham Council and York Council were invited to respond to a detailed RFP in the second stage of the procurement process.

RFQ Respondents were advised that any and all determinations and decisions made by, or on behalf of, the Regions relating to the RFQ and any RFQ Submissions, including whether the RFQ Submissions met the mandatory criteria and the extent to which scoring and points were awarded under rated criteria, were final and not open to appeal. The Regions reserved the right to permit a short cure period following the Closing Date during which any RFQ Submissions, which contained minor irregularities, could be corrected.

The RFQ Respondent was responsible to provide all information requested.

9.1.2.1 Evaluation of Mandatory Requirements

RFQ Respondents that met the following Mandatory Criteria proceeded to the evaluation of the Rated Requirements.

Mandatory Criterion 1: Successful Completion of Form 1: RFQ Submission Form

RFQ Respondents submitted a complete and signed Form 1: RFQ Submission Form.

Mandatory Criterion 2: Ability to Bond

The RFQ Respondent provided evidence of the ability to provide Bonding for an amount not less than \$115 million, demonstrated by providing a letter of reference recently signed by a licensed surety that confirmed the capability of receiving such bonding from the surety.

9.1.2.2 Evaluation of Rated Requirements

RFQ Respondents were advised that the primary basis for the evaluation of the rated requirements was the degree to which the RFQ Submission demonstrated the ability to meet the stated criterion, as further defined below.

9.1.2.3 Technical Requirements

Three technical criteria were used in the evaluation: reference facilities, Thermal Treatment Facility, and references. The following describes the technical criteria used in the evaluation.

Criterion 1: Reference Facilities

Criterion 1 consisted of several measures that were used to assess RFQ submissions. These measures are described below:

1a) Capacity and Availability

Each of the Reference Facilities were required to be of the scope and nature of the Thermal Treatment Facility. A Reference Facility that was put forward for consideration must:

Section 9: Vendor Identification Process

- Have utilized the Thermal Treatment Technology of the Proposed Facility (as declared in Form 1); and,
- Have a minimum total capacity of 150,000 tonnes of MSW per year; and,
- Be operating at the time of submission and be in full operation for at least two (2) consecutive years prior to the time of submission, with the most recent year operating at a minimum 90% annual availability (based on the total hours that the thermal processing line(s) operated divided by 8760 hours/year).

1b) Involvement of RFQ Respondent in Reference Facilities

RFQ Submissions were evaluated based on the extent to which the corporate team members declared in Form 1 were involved in the design, construction and operational phases of the Reference Facilities.

1c) Compliance and Mitigation Program for the Reference Facilities.

RFQ Submissions were evaluated based on the extent to which the Reference Facilities complied with regulatory requirements and the measures to mitigate potential impacts to the natural environment and human health.

1d) Description of Reference Facility Process and Operations

RFQ Submissions were evaluated based on the degree to which the process and operation of the Reference Facilities demonstrated a successful application of the Thermal Treatment Technology associated with the Proposed Thermal Treatment Facility (the Facility).

1e) Integration of Reference Facilities into Host Community

RFQ Submissions were evaluated based on the successful integration of the Reference Facilities into the host community (i.e., into the local area in which the facilities are sited).

Criterion 2: Thermal Treatment Facility

Criterion 2 consisted of several measures that were used to assess RFQ submissions. These measures are described below:

2a) Proposed Project Team

i) Related Corporate Experience of RFQ Respondent

RFQ Respondents were evaluated based on the extent to which the experience of the corporate team member was relevant to their proposed roles (as declared in Form 1), and demonstrated a record of success for that role.

ii) Organization of RFQ Respondent

RFQ Respondents were evaluated on the suitability of the organizational structure, and the degree to which the proposed structure demonstrated an ability to successfully undertake a project of the scope and magnitude of the Thermal Treatment Facility.

Section 9: Vendor Identification Process

iii) Human Resources Capabilities

RFQ Respondents demonstrated the capability to provide human resources with the credentials and experience necessary to successfully undertake a project of the nature and scope of the Thermal Treatment Facility.

2b) Thermal Treatment Facility

Durham/York recognized that there may be technical differences between the Reference Facilities for which the RFQ Respondent had been responsible for designing, developing and/or operating and the Facility. These differences may be based on the RFQ Respondents' experiences and/or the differences between the residual municipal wastes that would be supplied by the Regions and the materials processed by the Reference Facilities. Criterion 2b)ii) was intended to allow RFQ Respondents to describe the concept that they would consider for the development of the Proposed Facility and to note differences between the Proposed Facility and their Reference Facilities.

i) Ability of Proposed Facility to Meet Objectives

RFQ Respondents demonstrated that the Proposed Facility would successfully meet the Objectives.

ii) Description of Proposed Facility

RFQ Respondents were evaluated on the extent to which the Proposed Facility would provide a reliable, proven, practical and effective, long term waste management solution.

Criterion 3: References

Criterion 3 consisted of several measures that were used to assess RFQ submissions. These measures are described below:

3a) References for Reference Facilities

RFQ Respondents were evaluated on the extent to which the references supported the information provided and demonstrated a track record of success.

3b) References for RFQ Respondents

RFQ Respondents were evaluated on the extent to which the references supported the information provided and demonstrated a track record of success.

9.1.2.4 Financial Requirements

Criterion 4 used in the evaluation of the RFQ involved financial considerations. Several measures were used to assess the financial requirements and these are described below.

Criterion 4: Financial Requirements

4a) Financial Condition

RFQ Respondents were evaluated on the extent to which they had the financial strength to construct and operate the Thermal Treatment Facility as proposed in the RFQ.

Section 9: Vendor Identification Process

4b) Financial Capacity

RFQ Respondents were evaluated on the extent to which:

- They demonstrated the capacity to access a minimum of \$75 million of capital per year over a two year period, in a timely manner for the purposes of meeting construction and financing obligations and ongoing operating requirements; and,
- Any known or committed projects would not impair their capability to meet an annual construction financing obligation of \$75 million over a two-year period and ongoing quarterly operating requirements in the order of \$2 million.

4c) Track Record of Experience

RFQ Respondents were evaluated on the extent to which they demonstrated a successful track record of historic borrowing for infrastructure projects that are of the scope and magnitude of the Thermal Treatment Facility (e.g., a minimum of \$75 million of capital per year over a two-year period and ongoing quarterly operating requirements in the order of \$2 million).

9.1.2.5 Failure to Comply

Failure to have complied with any mandatory requirements of this RFQ resulted in disqualification of a RFQ Respondent and/or the rejection of its RFQ Submission.

A summary of the Technical Requirements is provided below in Table 9-1.

Section 9: Vendor Identification Process

Table 9-1 Scoring of Rated Criteria

| Criteria | Max | Min to Qualify |
|--|-----|----------------|
| Technical Requirements | | |
| Criterion 1: Reference Facilities 1a: Capacity and Availability 1b: Involvement of RFQ Respondent in Reference Facilities 1c: Compliance and Mitigation Program for the Reference Facilities 1d: Description of Reference Facility Process and Operations 1e: Integration of the Reference Facilities into the Host Community | | |
| Total for Criterion 1 | 100 | 60 |
| Criterion 2: Thermal Treatment Facility 2a: Proposed Project Team 2a i: Related Corporate Experience of RFQ Respondent 2a ii: Organization of RFQ Respondent 2a iii: Human Resource Capabilities 2b: Thermal Treatment Facility 2b i: Ability of Proposed Facility to Meet Objectives 2b ii: Description of Proposed Facility | | |
| Total for Criterion 2 | 100 | 60 |
| Criterion 3: References 3a: References for Reference Facilities 3b: References for RFQ Respondent | | |
| Total for Criterion 3 | 100 | 60 |
| Financial Requirements | | |
| Criterion 4: Financial Requirements Criterion 4a: Financial Condition Criterion 4b: Financial Capacity Criterion 4c: Track Record and Experience | | |
| Total for Criterion 4 | 100 | 60 |

9.1.2.6 Fairness Monitor Review of RFQ Process

In February 2007, KPMG was retained to monitor from a fairness perspective the Regions' process to identify and qualify a number of respondents to the RFQ who would then be eligible to submit proposals to design, build and operate a Thermal Treatment Facility.

Prior to the release of the RFQ, a contingency of Regional councilors visited several Thermal Treatment Facilities in Europe and were accompanied by two staff member who were involved in the procurement process. KPMG indicated the involvement of these staff members in the tour did not constitute a fairness variance because the trip occurred before the issuance of the RFQ and the development of the RFQ was already in its final stages.

Prior to receiving submissions on October 11, 2007, the following took place:

- A process framework (the "RFQ Selection Framework") was developed, which documented the process to be followed in soliciting and evaluating statements of qualifications.

Section 9: Vendor Identification Process

- Access to secondary level RFQ information (such as addenda to the RFQ, questions from potential respondents together with the answers from the Regions) was provided via the Region's website.
- A total of 102 potential respondents registered by placing themselves on the bidders list for the RFQ. Placement on the bidders list was not a mandatory requirement for submitting a response.
- Three addenda to the RFQ were issued and made available via the website.
- Questions and answers were posted to the website. As questions were received they were reviewed by a Question and Answer Team (the "Q&A Team") and distributed to technical and/or financial personnel to draft a proposed answer. Draft answers were reviewed by the Q&A Team for clarity, completeness and consistency. Questions and answers were then assembled periodically into question and answer sets, and posted to the website.
- On October 9, 2007, members of the teams formed to evaluate the RFQ submissions (the "Evaluation Teams") attended a briefing session, which provided an overview of the RFQ Selection Framework, and an opportunity to review any questions the members of the teams might have had regarding the evaluation.
- Detailed evaluation score sheets were developed by each of the Evaluation Teams prior to the review of submissions.

In accordance with the RFQ Selection Framework, all evaluation team members and advisors involved in the evaluation were required to review the submissions and confirm by completing a form that they had reviewed the RFQ submissions and either (i) do not have any relationships to declare or (ii) have relationships to declare, as detailed on that form. Additionally, they were required to confirm that they have read and agree to be bound by the RFQ Selection Framework document.

KPMG's role was solely that of an observer to the RFQ process. KPMG did not develop the RFQ or participate in the evaluation of submissions.

KPMG's work was based on the following:

- Discussions and meetings with the Region staff and advisors to discuss the RFQ documents, procurement process, evaluation and related matters;
- Review of the RFQ document prior to issue;
- Review of the evaluation process, including the RFQ Selection Framework, evaluation criteria and evaluation tools;
- Review of addenda, and questions and answers issued prior to the RFQ deadline;
- Review of clarification questions issued to the Proponents;
- Review of the evaluation reports;
- Review of the following:

Section 9: Vendor Identification Process

- Evaluation of mandatory requirements
- Evaluation of technical submission
- Evaluation of the financial capacity

KPMG's Methodology to Assess Fairness

KPMG's approach to fairness monitoring was based on a set of fairness principles, developed by KPMG, which described the foundation of a fair process. These principles were developed based on KPMG's experience in conducting transaction and procurement processes and monitoring fairness. The fairness principles were discussed with the Region at the onset of process, and it was agreed that the fairness monitoring would be based on these principles:

1. All potential Proponents have the same opportunity made available to them to access information;
2. The information made available to Proponents should be sufficient to ensure that the Proponents have the opportunity to fully understand the opportunity;
3. All potential Proponents have reasonable access to the opportunity;
4. The criteria established in the invitation documents truly reflect the needs and objectives in respect of the project;
5. The evaluation criteria and the evaluation processes and procedures are established prior to the evaluation of submissions;
6. The evaluation criteria, invitation documents, and evaluation processes are internally consistent;
7. The pre-established evaluation criteria and evaluation process are followed; and,
8. The evaluation criteria and process are consistently applied to all submissions.

In applying these fairness principles, the following guidelines were used to help determine the fairness of the evaluation processes:

- **Variations** – A variance from the Fairness Principles is deemed to have occurred if a circumstance(s), situation (s) or event(s) occurs during the process that is addressed in a manner that is inconsistent with or departs from one or more of the Fairness Principles.
- **Violations – Individual Variations** – A violation from the fairness principles is deemed to have occurred if an individual variance is deemed to have resulted in a process where one or more Proponents(s) (potential, successful or unsuccessful) enjoyed a material advantage over any other or conversely, was subject to a material disadvantage and the material advantage or disadvantage affected the results of the process. If so, a *violation* of the Fairness Principles would have occurred and, consequently, the overall process would be deemed to be unfair in that respect.

Section 9: Vendor Identification Process

- **Violations – Collective Variances** – A violation from the fairness principles is deemed to have occurred if individual variances, when considered collectively, resulted in a process where one or more Proponent(s) (potential, successful or unsuccessful) enjoyed a material advantage over any other or conversely, was subject to a material disadvantage and the material advantage or disadvantage affected the results of the process. If so, a *violation* of the Fairness Principles would have occurred and, consequently, the overall process would be deemed to be unfair in that respect.

Conclusions

KPMG indicated in a letter to Regional staff containing the above information that KPMG was satisfied the RFQ process was fair to all proponents.

9.1.3 Recommended Short List of Pre-Qualified Proponents

Based on the submission evaluation process described above, the following five (5) proponents (listed in no particular order) were pre-qualified to submit detailed proposals in response to the RFP:

- Veolia Environmental Services Waste to Energy Inc.; AMEC/Black & McDonald;
- Covanta Energy Corporation;
- WRSI/DESC Joint Venture; Fisia Babcock Environmental GmbH; Kiewit Industrial Company; Morgan Stanley Biomass LLC; Babcock & Wilcox;
- Wheelabrator Technologies Inc. (A Waste Management Company); and,
- Urbaser SA.

9.2 Stage 2: Request for Proposals (RFP) Process

York and Durham Regional Councils authorized the issuance of the RFP to the pre-qualified proponents listed above on August 22, 2008 (see Appendix B for a copy of the RFP).

The original closing date for submissions of January 15, 2009 was extended to February 19, 2009 to accommodate the vendors who had expressed the need for additional time due to the complexity of the project.

On February 19, 2009 responses were received from the following four proponents:

- Covanta Energy Corporation;
- Green Conversion Systems LLC (formerly WRSI/DESC Joint Venture; Fisia Babcock Environmental GmbH; Kiewit Industrial Company; Morgan Stanley Biomass LLC; Babcock & Wilcox);
- Wheelabrator Technologies Inc. (A Waste Management Company); and,
- Urbaser SA.

Section 9: Vendor Identification Process

Veolia Environmental Services Waste to Energy Inc.; AMEC/Black & McDonald did not submit a proposal in response to the RFP citing economic risks as the primary decision making factor.

9.2.1 Evaluation of Submissions

Based upon current best practices and considering the magnitude and complexity of the Project, the entire RFP process was subjected to rigorous due diligence rules and procedures consistent with common best practices applied by major provincial and federal infrastructure procurement agencies across Canada to ensure integrity and an ability to withstand any challenge regarding any impropriety.

The Region engaged KPMG to monitor from a fairness perspective, the RFP Process from its commencement to the announcement of the preferred proponent. KPMG's approach to monitoring the fairness of the evaluation process was based on a set of fairness principles that KPMG had developed describing the foundation of a fair process. KPMG's role was solely that of an observer to the RFP process (see Section 9.2.1.3 for more details).

A multi-disciplinary evaluation committee evaluated the four proposals and the committee consisted of representatives from Durham Works and York Transportation and Works Departments and the Durham Finance Department. Technical consultants, HDR Corporation, and financial consultants, Deloitte & Touche LLP, assisted the evaluation team in their deliberations. Staff from Durham Purchasing and Legal Services provided day to day advice, guidance and assistance to the evaluation team. In order to ensure absolute confidentiality and to maintain the integrity of the process, all staff and consultants involved in the process signed confidentiality agreements.

A participation agreement was signed by each of the qualified proponents that set out the terms and conditions for access to the Data Room and confirmed their agreement to abide by the provisions of the procurement process, including the RFP.

RFP information (such as addenda to the RFP, questions from potential respondents together with the answers from the Regions) was provided to qualified proponents via the Region's Data Room. Access to the Data Room was limited to members of proponent team members, consultants and advisors that had signed the Participation Agreement.

Questions and answers were posted to the Data Room. As questions were received, they were reviewed by the Procurement Team Leader and distributed to technical, legal and/or financial personnel to draft a proposed answer. Draft answers were reviewed by the Procurement Team Leader for clarity, completeness and consistency. Questions and answers were then assembled periodically but on a frequent basis into question and answer sets, and posted to the Data Room. In total, 91 Request for Information Forms were submitted and Addenda 1 through 35 were issued (see Table 9-2 for Addenda).

Section 9: Vendor Identification Process

Table 9-2 Addenda Issued During the RFP Process

| Addendum Number | Subject | Purpose of Addendum |
|-----------------|--|---|
| 1 | Appendix C2 – Air Emission Criteria | A clarification of the measurement unit from *g/Rm3 (original RFP) to µg/Rm3 (Addendum #1) |
| 2 | Dual vs. Single Line System | The Preferred Proponent was given the option to bid either a dual or single line system. |
| 3 | Geotechnical Site Investigations | The Geotechnical Report that was available in the Data Room was the only geotechnical information supplied to the Proponents. Further information required by the Proponent was their responsibility and was to be obtained at their own cost and risk. |
| 4 | Airport Zoning Regulations | Direction to the location of additional details regarding Airport Zoning Regulations. |
| 5 | Waste Composition Data | The Regions provided two 2007 waste audits for additional information. |
| 6 | Revised RFP Closing Date | The closing date for the RFP was amended from January 15, 2009 to February 19, 2009. |
| 7 | Facility Capacity and Potential Future Expansion | Clarification regarding the operational date and future expansion scenarios. |
| 8 | Heating Values for Municipal Solid Waste | Provided additional clarification and specific revisions regarding heating values for municipal solid waste as the basis for design and guarantee requirements for throughput capacity for the energy from waste Facility. |
| 9 | Equipment Orders | The Regions were not prepared to commit funds to, or otherwise assume the risks of, equipment orders made in advance of the issuance of the Notice to Proceed under the Project Agreement. |
| 9A | Revision to Addendum #9 | Clarification of the target operational date. |
| 10 | Potential District Heating System | Provided additional clarification and specific revisions regarding the Regions' intentions and the requirements of the RFP pertaining to utilization of the Facility as an energy source for a potential district heating system within the future Clarington Energy Park. |
| 11 | Early Works Activities | Provided additional clarification and specific revisions regarding delineation of the roles and responsibilities of the DBO Contractor, the Regions and the Region's Consultants in the context of the approvals processes and the Early Works activities associated with development of the proposed energy from waste Facility. |
| 12 | Clarification Questions and Answers | Questions submitted by Proponents and answers provided by the Regions regarding renderings of architectural details; availability of sites for construction parking and laydown and for soil removal and storage; location of the visitors' centre; Early Works permits and applications requirements. |
| 13 | Canadian Aviation Regulations | Height limitations for Facility and stack. |
| 14 | Breakdown of Fixed Construction Price | Form 2A is for information purposes only and is not binding in any way. |
| 15 | Revised Schedule | Dates changes for the Issuance of the 2 nd Draft Agreement and Early Works Agreement and the Final Project Agreement and Final Early Works Agreement |
| 16 | 500 kWh per tonne reference | The reference to 500 kWh per tonne in Section 4.5.1.1.1 of the RFP is a NET number. |
| 17 | Water and Sewer Use By-laws | A link to the Region's Water Supply System and the Establishment of Water Rates and Water Charges (By-law 89-2003 plus amending By-laws) and the Establishment of Sewer Surcharge Rates and Sewer Charges (By-law 90-2003 plus amending By-laws) was provided. |

Section 9: Vendor Identification Process

| Addendum Number | Subject | Purpose of Addendum |
|-----------------|---|--|
| 18 | Technical Requirements – Revision 1 | Technical Requirements – Revision 1 was posted in the Data Room. |
| 19 | Milestone Payment Schedule | Revised Form 2C provided. |
| 20 | Courtice Water Pollution Control Plant Information | Provided a representation of the quantity and quality of effluent from the Courtice WPCP. |
| 21 | Handling of Household Hazardous Waste and Radioactive Waste | Further clarification and definition of the Vendor's handling responsibilities with respect to Household Hazardous Waste and Radioactive Waste as defined in the Project Agreement definition for "Hazardous Substance". |
| 22 | Communications and Community Relations Plan | Wording in original RFP regarding communications and the community relations plan revised. |
| 23 | Minimum Net Continuous Capability at Generator Terminals | The minimum net continuous capability at generator terminals was amended to a 0.85 power factor, KVA. |
| 24 | Transmission Capacity for the EFW Facility | Clarification regarding the transmission and breaker capacity. |
| 25 | Collection Hoppers | Rotary valves were determined to be acceptable and information was inserted into Section 8.13.1 of the RFP |
| 26 | Hydrostatic Tests | Clarification regarding the hydrostatic test pressure in Section 11.3 of the RFP. |
| 27 | Appendix 1 Technical Requirements | Proponents may provide comments or recommended changes up to and including December 12, 2008. |
| 28 | Region's Water Quality Reports | A link to the Water Quality Reports was provided. |
| 29 | Form 4 Performance Guarantees | Revision to Form 4. |
| 30 | Form 4 Performance Guarantees | Revision to Form 4. Addendum #30 supersedes Addendum #29. |
| 31 | Forms 2A, 3, 3A, and 3B | Clarification regarding annual property taxes and revised Forms 2A, 3, 3A, and 3B. |
| 32 | Ineligible Team Members | Identified entities that are not eligible to participate as a member of a Project Team or in the preparation of a Proposal. |
| 33 | Odour and Noise Plans | Proponents must present Odour and Noise Control Programs and provide organization charts for identifying key positions and interactions of personnel. |
| 34 | Revisions to sections 5.3.3, 5.3.4, and 5.3.5 of the RFP. | Revisions to the Evaluation of Technical Elements (Section 5.3.3), Evaluation of Project Delivery Elements (Section 5.3.4), and Evaluation of Cost and Commercial Elements (Section 5.3.5). |
| 35 | Submission of Proposals | Proponents were required to submit one original and ten copies of their proposals. Each copy was to contain an electronic version. |

In accordance with the provisions of Section 2.9.2 of the RFP, the Regions considered various questions from Proponents that were marked by the Proponents as "commercial in confidence" and determined based on the nature of the question and the supporting justification whether the question warranted confidential treatment. Where the request to treat the question as confidential was justified, the response was circulated only to the Proponent that had made the inquiry. When the Region did not believe that confidential treatment was warranted, as provided for in the RFP, the Proponent was given an opportunity to withdraw the question and if the question was not withdrawn, the question and the answer were posted to the Data Room.

Commercial in confidence meetings were held with each Proponent to (a) provide the Regions' representatives with familiarity of the designs and concepts proposed by proponents; (b)

Section 9: Vendor Identification Process

providing proponents with some comments and feedback from the Regions on the general acceptability of particular solutions proponents might have been considering for various aspects of their Proposals, and (c) provide an opportunity to each proponent to raise issues or concerns. An initial meeting was held with each proponent for one day each from October 5 to October 9, 2008, inclusive. A second round of commercial in confidence meetings was offered to the proponents, and four of the teams (Green Conversion, Covanta, Wheelabrator and Veolia) elected to participate. These meetings were held on November 4 and 5, 2008. The Regions used reasonable efforts to distribute to all proponents any new information provided by the Regions to any proponent during the meeting, save and except information that was considered by the Regions to qualify as “Commercial in Confidence” according to the provisions of the RFP Selection Framework.

After closing, but prior to the committee’s evaluation, Durham Purchasing requested confirmation from all qualified proponents that they would sign the Project Agreement substantially in the form provided within the RFP.

9.2.1.1 Evaluation of Mandatory Criteria

RFP Respondents who met the following Mandatory Criteria (Table 9-3) proceeded to the evaluation of Rated Requirements.

Table 9-3 RFP Mandatory Requirement

| Stage 1: Mandatory Requirement | |
|--------------------------------|---|
| Criteria | Description |
| Closing Time | To be eligible for consideration, the Proposal had to be received on or before the Closing Time at the delivery address |

9.2.1.2 Evaluation of Rated Criteria

The Evaluation Team considered Proposals on the basis of pre-approved evaluation criteria (included in the RFP document) that considered three elements of the Proposals:

1. Technical Elements (45 Points);
2. Project Delivery Elements (20 Points); and,
3. Cost and Commercial Elements (35 Points).

Scorings of the proposals was based upon a maximum of 100 points. A breakdown of the individual criteria, provided to the proponents, is provided in Tables 9-4 and 9-5. Prior to the evaluation process the Evaluation Team and the Fairness Monitor (KPMG) “locked-down” the detailed scoring factors that would be applied during the evaluation. In addition, the Evaluation Team and KPMG agreed that the proposal with the highest aggregate score would be recommended to the respective Regional Councils.

9.2.1.3 Technical Considerations

On Wednesday, May 28, 2008 Durham Regional Council passed a resolution requiring the successful proponent to ensure that the design and installation of the Thermal Treatment

Section 9: Vendor Identification Process

Facility incorporated the most modern and state-of-the-art emission control technologies. These technologies were required to:

- Meet or exceed the European Union (EU) air emission monitoring and measurement standards;
- Commit to Maximum Achievable Control Technology (MACT) for air emission standards and monitoring;
- Include provisions or continuous sampling of dioxins in addition to stack testing, as defined by EU2000/76/EC and MOE A-7 guidelines;
- Demonstrate the ability to design, build and operate a Thermal Treatment Facility of 140,000 tpy of operating capacity at project start-up, based upon:
 - Durham Region providing 100,000 tpy of post-diversion waste commencing at project start-up;
 - York Region providing 20,000 tpy of post-diversion waste commencing at project start-up; and,
 - Surplus capacity totalling 20,000 tpy of operating capacity to be shared equally between the two Regions;
- Demonstrate an ability to accommodate future expansion (scalability) as required to accommodate post-diversion residual waste volume growth up to maximum capacity of 400,000 tonnes per year; and,
- Demonstrate an ability to meet the requirements of up to a 25-year design, build and operate contract, with terms and conditions to be set out within RFP documentation.

As directed by Regional Council, the RFP was issued based on discussions with the Province at the time regarding air emission criteria and power purchase principles and with the understanding that the project must support Durham's aggressive residual waste diversion and recycling program, to achieve and/or exceed, on or before December 2010, a 70% diversion rate for the entire Region, with these programs continuing beyond 2010.

The RFP and subsequent addenda required proponents to meet the Council resolutions and additionally provide:

- A single or dual line system with a minimum of 90% operational availability;
- A zero process water discharge facility; and
- Maximum energy production both as superheated steam used to generate electricity and potentially district heating for use in the Courtice WPCP and the Clarington Energy Park. Any district heating outside of the Energy Park could be considered on the basis of a larger area district heating feasibility plan.

A total of 45 points were assigned to Technical Elements.

Section 9: Vendor Identification Process

Of the 45 Technical Element points, up to 25 points were allocated to environmental considerations. The RFP required all proponents to provide guarantees that they would meet the air emission table limits adopted by Durham Council. The evaluation matrix assigned additional points to any proposal with lower air, water, odour and noise emissions; a demonstrated plan for ease of Facility expansion with minimum process disruption; superior management of ash; and a greater energy production and recyclable material recovery;

Design, Construction and Operational Considerations accounted for up to 15 Technical Element points. Evaluation focused on provision of guarantees for process availability with an expectation that the Facility would operate continuously for a minimum of 90% of the time. Proposals were also evaluated on the ability to accelerate the required construction schedule and guarantee the projected time lines. Evaluators assigned additional points for continuous operation above 90% or for a shorter construction timeframe. This category examined the robustness of the proposed system; the technical feasibility of the proposed process equipment; and that the proponent had proposed only proven, reliable Air Pollution Control Equipment. Evaluators appraised proposed Facility operations and maintenance plans to ensure that plans provided for annual maintenance and, multi-year maintenance including major equipment replacement and maximum residual value at the end of the contract. The evaluators also awarded points for high quality Environmental Management Systems compliant with ISO 14001:2004; Health and Safety Plans and Training Plans.

The final five (5) points in the Technical Elements were awarded for innovations in Environmental Performance, Design, Construction and Operational Considerations.

9.2.1.4 Project Delivery Considerations

Twenty (20) points were assigned to Project Delivery considerations: Up to six (6) points were assigned to Schedule and Cost Control systems, including information on: project management; project milestones; budget forecasting; and, cost control measures.

An additional six (6) points could be assigned based on construction impact controls including Quality Assurance (QA)/Quality Control (QC); construction impact mitigation; environment, health and safety and community relations plans.

Up to two (2) points were assigned to Team Organization and Qualifications and the review included assessment of documentation relating to the proponent's project management qualifications, the accountability framework, corporate experience and track record on similar projects.

The final six (6) points available under Project Delivery related to the proponent's plan to facilitate approvals and examined the proposed time allocation and schedule for obtaining all necessary approvals and permits including the CofAs from the MOE.

9.2.1.5 Cost and Commercial Considerations

The RFP required proponents to provide a detailed computer model that allocated capital and operating costs through the lifecycle of the contract, consistent with RFP requirements and the

Section 9: Vendor Identification Process

submitted proposal, and including detailed capital, operating, maintenance and lifecycle costs as well as performance guarantee.

A total of 35 points could be assigned to Cost and Commercial Considerations:

- Up to five (5) points were assigned based upon the Evaluation Team's assessment of the integrity of the financial model and reasonableness of cost inputs; including consideration of whether the Model was consistent with RFP requirements, the proposal submitted, and with benchmarks based upon projects of a similar scope and nature;
- Up to 20 points were assigned for the value for money components including the magnitude of the Net Present Value (NPV) cost, timing of cash flows, and the sensitivity of costs to the Regions;
- The final 10 points under Cost and Commercial Elements were assigned based upon the financial capacity and condition of the project guarantor, acceptance of construction inflation, and other guarantees provided within the proposal.
- The Proposals were evaluated by the Evaluation Committee in two stages. First, Proposals were reviewed on a preliminary basis to determine whether compliance with the mandatory requirement was achieved (stage 1). Second, those Proposals that passed the stage 1 evaluation were then evaluated on a substantive basis as more particularly described below.

The following is a summary of the criteria that were used to evaluate the RFP submissions (Tables 9-4 and 9-5):

Table 9-4 RFP Substantive Requirement

| Stage 2: Substantive Evaluation | |
|---|---|
| Criteria | Description |
| <i>Technical Elements (Total of 45 points)</i> | |
| Environmental & Performance Considerations (25 points) | Air – RFP Form 4 Section 8 – points awarded based on number of pollutant elements and the degree of reduction below with guaranteed emission limits below those defined in Table 4-1 of Appendix 1 and Appendix C-2 of the RFP. |
| | Water – points awarded based on decreased use of potable water for facility processes – e.g., less reliance on purchased potable water for process make-up water. |
| | Ash management – points awarded based on bottom ash quality and increased diversion through the beneficial reuse and/or stabilization of process residues (i.e. less reliance on landfill and greater marketability of bottom ash up to and including and process guarantees). Substantive evidence required to support claims. |
| | Odour – points awarded based on comprehensive detailed plans for i) odour control during both construction and operation phases. Defined process for managing (receiving, logging, investigating and resolving) complaints. |
| | Noise – points awarded based on comprehensive detailed plans for i) noise control during both construction and operation phases and ii) defined process of managing (receiving, logging, investigating and resolving) complaints. |
| | Energy Recovery – points awarded based on energy recovery above the minimum design criteria – e.g. higher electrical generation while still meeting the minimum district heat requirements. |
| | Recovered Materials Management – points awarded based on improved methods and efficiencies of recovery and comprehensive marketing plans, up to and including potential guaranteed floor pricing. |
| | Capacity and Expansion Capability – points awarded based on ease of |

Section 9: Vendor Identification Process

| | |
|--|--|
| | incremental expandability to ultimate 400,000 tpy Facility capacity. |
| Design, Construction and Operational Considerations (15 points) | Guarantees – points awarded based on the extent that the reduced project Construction Period Guarantee (Form 4 Section 1) and increased points for greater Guaranteed Facility Availability guarantee (Form 4 Section 7). |
| | Facility design – points awarded based on the extent that the facility design proposal exceeds the minimum Technical Requirements, and for additional details/clarity of the design concept – i.e., level of detail in the basis of design and in required drawings. |
| | Facility operations and maintenance – points awarded based on the level of detail and extent to which Annual, Five Year and Life Cycle O&M plans meet or exceed the Technical Requirements and generally accepted industry standards. |
| Innovation in Environmental Performance, Design, Construction and/or Operational Considerations (5 points) | Points awarded based on innovation elements based on degree of identification and control of risks; environmental, economic, and social benefits; added value and demonstrated ability within the proposal to actually implement. |
| <i>Project Delivery Elements (Total of 20 points)</i> | |
| Schedule and Cost Control (6 points) | Critical path management – points awarded based on comprehensive details and reasonableness of plans for maintaining construction schedule and meeting schedule guarantee |
| | Budget forecasting and cost control measures – points awarded based on comprehensive detail of plan for maintaining cost control and meeting milestone targets |
| Methods (6 points) | Points awarded based on comprehensive detail in each of the following plans and their integration within the submission: <ul style="list-style-type: none"> • Quality Assurance/Quality Control plans • Construction impact mitigation, complaint mitigation methods • Environmental and Management plan consistent with ISO 14001:2004 • Health and Safety plan • Community relations plan |
| Team Organization and Qualifications (2 points) | Points awarded based on completeness and clarity of organizational plan, roles and responsibilities <ul style="list-style-type: none"> • Project management qualifications • Experience and track record • Accountability framework |
| Permits/Approval Plan (6 points) | Points awarded based on demonstrated understanding of Early Works Agreement schedule and plan; increased points for clarity and input in the four areas below: <ul style="list-style-type: none"> • Permitting schedule • Coordination with project schedule • Understanding and experience with local approval requirements • Minimized reliance on Regional Staffing resources |

The evaluation of Cost and Commercial Elements was completed based on a collective assessment of evaluation factors to determine a single collective score under each element of RFP “Section 4.6 Part 3 – Cost and Commercial Consideration,” (i.e., RFP Section 4.6.1 Capital and Operating Costs, Section 4.6.2 Value for Money, and Section 4.6.3 Guarantees). Because the assessment included qualitative and quantitative analyses, the lowest priced proposal was not necessarily awarded the highest score. Since it was assumed that all

Section 9: Vendor Identification Process

proposals would meet minimum requirements, proposals which exceeded minimum requirements were awarded the highest scores.

Table 9-5 RFP Substantive Requirement - Cost and Commercial Elements

| Stage 2: Substantive Evaluation – Cost and Commercial Elements | |
|--|---|
| Criteria | Description |
| <i>Cost and Commercial Elements (Total of 35 points)</i> | |
| Capital and Operating Costs (5 points) Evaluation Factors: <ul style="list-style-type: none"> Reasonableness of all cost inputs, including methodology and approach used to determine Unitary Major equipment Repair and Facility Refurbishment Costs Integrity of the Model | Considerations: <ul style="list-style-type: none"> A qualitative assessment of the factors will be completed on a collective basis by assessing the degree to which capital costs, maintenance costs, life-cycle costs and operating costs including in the Model are consistent with: <ol style="list-style-type: none"> RFP requirements; Proposal details; and Projects of a similar scope and magnitude. |
| Value for Money (20 points) Evaluation Factors: <ul style="list-style-type: none"> Magnitude of NPV costs to the Regions Timing of cash flows and costs to the Regions Sensitivity of costs to the Regions | Considerations: <ul style="list-style-type: none"> An assessment of the factors will be completed on a collective basis by assessing the stability and magnitude of both nominal and NPV costs, including: <ol style="list-style-type: none"> Comparison to the lowest NPV Proposal; Comparison to the lowest Total Annual Operating Fee; Degrees of fluctuation in nominal and NPV costs due to sensitivity analyses; and, Impacts to value for money considerations, based upon alternative/innovative options provided by the Proponent (only considered where a new and complete model is provided for any and each alternative proposal as per section 4.6.2.4). |
| Guarantees (10 points) Evaluation Factors: <ul style="list-style-type: none"> Financial capacity and condition of the Project Guarantor Construction inflation Other guarantees | Considerations: <ul style="list-style-type: none"> A qualitative assessment of the factors will be completed on a collective basis by assessing: <ol style="list-style-type: none"> The condition and capacity of the Parent Guarantor; The degree to which the Proponents construction costs are fixed in the Proposal; and The degree to which the guarantees in Form 4 will benefit the Regions. |

9.2.1.6 Fairness Monitor Review of RFP Process

KPMG’s role was solely that of an observer to the RFP process. KPMG provided oversight throughout the process, including the evaluation, to ensure fairness, consistency and that the evaluation adhered to the pre-determined evaluation criteria. KPMG was involved throughout the entire Thermal Treatment Facility procurement process in order to assure both Regional Councils and the bidders/vendors that an open, fair, consistent and accountable process was conducted.

Section 9: Vendor Identification Process

KPMG's work was based on the following:

- Discussions and meeting with the Region staff and advisors to discuss the RFP documents, procurement process, evaluation and related matters;
- Review of the RFP document prior to issue;
- Review of the RFP Selection Framework and the Process and Principles for Evaluation of RFP-604-2008 Proposals;
- Review of the evaluation process, including the evaluation criteria and evaluation tools;
- Review of addenda, and questions and answers issued prior to the RFP deadline;
- Review of clarification questions issued to Proponents during the evaluation;
- Review of the evaluation reports, and;
- Attendance at certain events and meetings, including all commercial in confidence meetings, the evaluation briefing session, the RFP closing and compliance review, and select meetings of the Evaluation Team (including meetings to develop and finalize the evaluation criteria and supporting scoresheets and meetings to assess the Proposals and reach final consensus scores).

KPMG's Methodology to Assess Fairness

KPMG's approach to fairness monitoring was based on a set of fairness principles that are described above in Section 9.1.2.6. The fairness principles used by KPMG in the RFQ process are the same as those that were used in the subsequent RFP process.

Conclusions

Based on its approach and information available, KPMG indicated in a letter to Regional staff containing the above information that KPMG is satisfied that the RFP process was fair to all Proponents.

9.2.2 Recommended Preferred Vendor

Based on its consensus evaluation, the evaluation team unanimously recommended Covanta Energy Corporation (Covanta) to Regional Councils as the preferred proponent. Covanta not only achieved the highest aggregate score, but also achieved the highest score in each of the three elements outlined in the RFP (technical; project delivery; and cost and commercial considerations).

Covanta is proposing to be the single source, full service contractor to design, permit, build, startup, commission and operate the Facility for the Regions of Durham and York. Covanta is the largest provider of thermal treatment services in North America with 35 operating facilities in the United States, including 24 that were designed and built directly by Covanta. Covanta would serve as the overall project coordinator with the responsibility for directing the design, engineering, procurement of equipment, and construction of the new Facility. The Covanta Team includes: Aecon Group, Inc. (Construction Services); Sigma Energy Solutions

Section 9: Vendor Identification Process

(Engineering); McMillan Associates (Architects); CH2M Hill (Environmental Consultant); and Miller Waste Systems (Waste Disposal/Transportation). Martin GmbH (Martin) will serve as Covanta's thermal treatment technology partner. Martin supplied the technology that is currently used at 22 of Covanta's facilities, as well as numerous facilities in Europe.

The following outlines key components of the Covanta proposal:

- APC, including a Flue Gas Treatment Design that includes: Covanta's proprietary Very Low NO_x (or FLNTM) system (further described below); a Selective Non-Catalytic Reduction (SNCR) system with aqueous ammonia injection for additional NO_x control; powdered activated carbon (PAC) injection for mercury and dioxins control; a spray dryer absorber (SDA) for acid gas control; and a fabric filter baghouse for particulate heavy metals removal.
- Dual boiler system with a design capacity of 140,000 tpy, incorporating continuous emissions monitoring systems and dioxin samplers for both systems with flue gas trains fed into a common flue.
- Zero process water discharge to sewer with water sourced from municipal supply. Captured rainwater would be used for site irrigation and the plan incorporates the use of drought-tolerant species to minimize irrigation needs.
- Bottom ash and stabilized fly ash sent for landfill disposal in New York. Corporate wide material recovery and marketing division to maximize revenues from recovered non-ferrous and ferrous materials. Covanta has provided a letter from Miller Waste guaranteeing long-term disposal capacity over the life of the contract.
- Odour on the tipping floor would be controlled by a ventilation system that draws air from outside at all times through the receiving area and above the waste storage pit and finally directed to the combustion units for use as combustion air. Dual combustion systems offer the additional advantage of minimizing shut-down times for the odour control system since at least one system would operate all of the time.
- Noise during regular operations mitigated by confining all operations to enclosed areas. Covanta would limit construction activities that create noise to comply with local noise by-laws and would implement a community complaints system to address local concerns during both construction and operational phases.
- Energy recovery is optimized for both electricity generation and potential future district heating scenarios. Covanta has proposed a 20 MW generator capable of maintaining some electricity output even if one boiler unit is shut down. The turbine generator incorporates an extraction turbine as well as physical space for the heat exchangers, pumps and other required equipment for the future district energy system. Covanta provided the highest net electricity production and performance guarantees of any vendor, with and without a future district heating system.
- Expandable Facility with an initial capacity of 140,000 tpy would be provided by dual 70,000 tpy boiler units. Covanta provided a clear plan delineating expansion in from the initial capacity of 140,000 tpy to a final capacity of 400,000 tpy. The final expansion

Section 9: Vendor Identification Process

includes additional process buildings and an additional stack. Covanta has sized the utilities (water, sewer, gas, and electric) for the ultimate 400,000 tpy Facility.

- Guarantees from Covanta included the shortest construction period of all proponents and 90% plant availability.
- Facility Design meets or exceeds critical design criteria and Covanta's proposal meets critical throughput and environmental performance requirements.
- Operations and Maintenance plans included detailed plant management charts and provided comprehensive details relating to waste handling; environmental monitoring; power generation; contingency operations; and a preventative maintenance plan to facilitate operation and provide for the turn-over of the plan in an acceptable condition at the end of the operating term. Covanta also provided a financial model to support these plans.
- Construction planning and critical path analysis indicated a potential process start-up date by the end of 2013, dependent upon the completion of the EA and EPA processes.
- Innovations include – Covanta's proprietary VLN™ System that reduces the formation of NOx emissions by staging combustion and reducing the amount of Excess Air required in the furnace. This also reduces parasitic electricity demands. The proposed high pressure/high temperature boiler design results in higher steam cycle efficiency enabling Covanta to maximize energy recovery.

The Covanta proposal received the highest score under Cost and Commercial considerations and included:

- Provision of a detailed financial model including capital, maintenance, life-cycle, and operating costs deemed consistent with the RFP requirements and with benchmarks based upon projects of a similar scope and nature. The detail and costing were supported by rationale that demonstrated consistency with accepted industry practices, including provision of adequate backup documentation;
- The lowest total annual operating fee, highest available electricity revenues and the lowest overall project NPV;
- The lowest construction price and a commitment to accept adjustments for inflation commencing April 30, 2009 and up to the Notice to Proceed (NTP) date, that would be indexed based upon independent third party data from Engineering News Record for (Toronto, Ottawa) as follows: 0% of the Construction Cost Index (CCI); 30% of the Material Cost Index (MCI); and 70% of the Building Cost Index (BCI).;
- Corresponding to the best technical guarantee for energy recovery, Covanta provided the highest annual revenues, primarily from electricity sales (based upon an assumed 8 cents per kilowatt hour (kWh)). Electricity revenues remain the highest with and without consideration of future district heating requirements; and,
- Sensitivity analysis performed on the Covanta financial submission demonstrated that the Covanta proposal would remain the lowest cost proposal under each sensitivity scenario investigated as defined within the RFP documentation.

Section 9: Vendor Identification Process

Covanta's submission includes a commitment to:

- A Total Annual Operating Fee of \$14.67 million (as of February 19, 2009), excluding consideration of revenues from electricity or ferrous and non-ferrous recoveries;
- An electricity production guarantee of 767 kilowatt hours per tonne of waste (kWh/T) and a guarantee of 90% Facility availability; and,
- A Construction Price of \$235.76 million (as of February 19, 2009).

The Covanta electricity production and availability guarantees noted above result in approximately a minimum of \$8.59 million in annual electricity revenues to the Facility, assuming a fixed power purchase price of 8 cents per kWh/T. Any increase in waste throughput beyond 140,000 tpy would increase annual power production.

9.3 Confidentiality and the Procurement Process

The conclusion of the evaluation team recommending Covanta as the preferred proponent is described, along with a summary of the assessment of Covanta's bid. It is noted in this Section that in each of the three elements outlined in the RFP (technical, project delivery and cost and commercial considerations), Covanta scored higher than the other bidders and that the fairness monitor indicated that the process was fair to all bidders.

In preparing for the submission of the EA every effort has been made to include as much information as possible. There are, however, other factors that place limits on the nature of the information that is capable of being disclosed in these particular circumstances. First among those factors is the continuing nature of the separate procurement process that has been completed in parallel with the EA. This process has confirmed Covanta as the preferred vendor, the technology to be employed, details of the processes, outputs and overall operation of the Facility. While this information and related details are known and have been set out in the EA, the procurement process remains ongoing at the time of submission of the EA because the Regions and Covanta continue in negotiations to finalize the agreement related to the Undertaking.

Pending the completion of an agreement with Covanta, an integral component of the process of public procurement in Canada is the need to keep strictly confidential information that is integrally related to the evaluation of the bids apart from the fact that Covanta placed first in the three elements outlined in the RFP. To make further disclosure would put the procurement process in jeopardy.