

Due Diligence Assessment of Capital Regional District - Core Area Wastewater Treatment Program Options Analysis

Final Report

Prepared by the Due Diligence Panel

06 September 2016

To: Project Board
From: Due Diligence Panel
Subject: Core Area Wastewater Treatment Project
Due Diligence Panel Report
Date: 02 September 2016

We have been engaged as members of the Due Diligence Panel for the Core Area Water Treatment Project (“CAWTP”). This report summarizes our review of the development and application of the screening and ranking criteria and our assessment of whether the screening and ranking process has been performed to an appropriate standard of quality.

Our review of the screening and ranking criteria and process was intended to confirm whether:

- They reflect the project’s objectives and the project board’s terms of reference;
- There are no gaps and minimal overlaps among the criteria;
- The criteria are reasonable and can be applied in a clear and consistent manner;
- The screening and ranking methodology is appropriate; and
- The process is likely to determine the best proposal.

The review was intended to provide feedback to the project team and Project Board on document clarifications, improvements and revisions that may be required.

We completed a review of the methodology to ensure it reflects the Project Board’s terms of reference. Specifically, we were provided with and reviewed the following two documents for the purpose of assessing the application of screening and ranking methodology, the specific screening and ranking criteria and considerations and whether the methodology was applied consistently across each of the identified options.

1. Core Area Wastewater Treatment Program Assessment of Liquid Wastewater Treatment Options. Stantec. (Draft - no date)
2. Core Area Wastewater Treatment Program Assessment of Biosolids Treatment and Integrated Resource Management Options. Stantec. (Draft - no date)

We engaged in discussions with the Project Board members and with Stantec to assess the quality of evidence cited in the two documents and summary sheets and the reasonableness of the judgement used in ranking each option against the criteria.

In conducting the review, we met with Jim Burke (Project Board Project Director), Greg Lewis (Bull, Housser & Tupper LLP), and Reno Fiorante, P.Eng. (Stantec) who provided us with background information and a summary of work done by previous consulting teams, as well as the work done by the Project Board with Stantec's support. They made themselves available to answer questions both in person at meetings and through correspondence. These meetings provided us with an opportunity to offer commentary

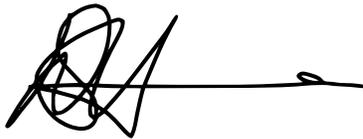
on their approach to the overall evaluation; and obtain clarification on assumptions and methodology used leading to the final selection by the Project Board of a recommended program option. The Project Board and Stantec were responsive to our observations and questions, **as recorded in the attached summary.**

In our opinion the approach taken by the Project Board is reasonable for the purpose of evaluating sites and associated comparative costs of secondary and tertiary treatment. We are satisfied that the approach taken by the Project Board likely arrived at a reasonable conclusion, and recommend that, to the extent that there are new procurements, the Project Board follow a procurement process similar to the previous one that left the choice of technologies open to the bidders.

We conclude that the screening and ranking process is consistent with the Project Board's terms of reference and was consistently applied across the various options and that the Project Board exercised good and reasonable judgement in arriving at its recommendation.

The Due Diligence Panel

R. Scott Hanna, MRM, RPBio, CEnvP



Troy D. Vassos, PhD, FEC, PEng



David Winter, PEng



Summary Report of the Due Diligence Panel

1.1 Purpose of Report

The purpose of this report is to document the process followed and conclusions reached by the Due Diligence Panel (DDP), appointed by the Capital Regional District (CRD), in reviewing the approach taken by the Core Area Wastewater Treatment Program's (CAWTP) Project Board (the "Project Board"), in identifying, assessing and screening wastewater and biosolids treatment options for the CRD.

1.2 Due Diligence Panel Members

The DDP was comprised of the following three persons, each of whom has decades of experience in their given area of specialization:

R. Scott Hanna, MRM, RPBio, CEnvP – environmental and social specialist / large infrastructure projects

Troy D. Vassos, PhD, FEC, PEng – environmental engineer / wastewater treatment specialist

David Winter, PEng – wastewater treatment plant construction specialist

1.3 Due Diligence Panel Terms of Reference

The DDP was responsible for reviewing the development and application of the screening and ranking criteria, assessing whether the screening and ranking process has been performed to an appropriate reasonable standard of quality; seeking clarification regarding apparent inconsistencies, errors of logic or discrepancies.

The review of the screening and the ranking criteria tested that:

- They reflected the project's objectives and the Project Board's terms of reference (Annex A);
- There are no gaps and minimal overlaps among the criteria;
- The criteria are reasonable and can be applied in a clear and consistent manner;
- The screening and ranking methodology is appropriate;
- The screening and ranking methodology has been applied reasonably, consistently and fairly; and
- The process is likely to determine the best proposal.

The review was intended to provide feedback to the Project Board on the need for document clarifications, improvements and revisions that may be required prior to submission to the Capital Regional District Board.

The DDP was provided summary documentation in the form of two draft reports

regarding the assessment of liquid wastewater treatment, biosolids treatment and integrated resource management options.

The DDP engaged in discussions with the Project Board members and with Stantec to assess the quality of evidence cited in the two draft reports and summary sheets and the reasonableness of the judgement used in ranking each option against the criteria.

Meetings were held with James Burke (Project Board Project Director), Greg Lewis (Bull, Housser & Tupper LLP), and Reno Fiorante, P.Eng. (Stantec), who provided us with background information and a summary of work done by previous consulting teams, as well as the work done by the Project Board with Stantec's support. The Project Board and Stantec made themselves available and were responsive to the DDP observations and questions both in person at meetings and through correspondence. These meetings provided the DDP members with an opportunity to offer commentary on their approach to the overall evaluation; and obtain clarification on assumptions and methodology used leading to the final selection by the Project Board of a recommended program option. The DDP asked questions of the Project Board members and tested the consistency of the logic that was applied in the screening and ranking process.

It was the responsibility of the DDP to satisfy itself that all issues identified by the DDP were resolved by the Project Board, and that the work carried out by the Project Board had been conducted diligently.

The review conducted by the DDP, and the feedback provided by the DDP, was for consideration by the Project Board and the suggestions and comments made were not binding. The assessments and recommendations arising from the screening and ranking process are ultimately those of the Project Board, and not those of the DDP.

To ensure an independent perspective of the work being reviewed, it was important that the members of the DDP were independent from the Project Board and CRD Board. The DDP members were required to declare any potential conflict that they may have that could undermine the objectivity (real and perceived) of their work¹. The DDP conducted its work at arm's length from the Project Board, and the CRD Board. Discretion was to be exercised by the Project Board in considering any DDP comments and recommendations, provided such discretion was exercised transparently.

The DDP was required to provide a written summary report of its findings to the Project Board and to the CRD Board.

¹ A review of potential conflicts of interest conducted by the law firm Bull Housser and Tupper (BHT) determined that there were no conflicts.

1.4 Approach to Conducting the Due Diligence Assessment

The DDP was appointed on 18 August 2016, at which time the terms of reference for both the DDP and the Project Board were reviewed with the panel. An initial meeting of the DDP was held on 23 August to review the timeline for the review, and to develop the DDP's work plan.

The DDP was initially provided with two key reports to review. These included:

- Core Area Wastewater Treatment Program – Assessment of Liquid Wastewater Treatment Options. Stantec. (no date); and
- Core Area Wastewater Treatment Program – Assessment of Biosolids and Integrated Resource Management Options. Stantec. (no date).

On 26 August, the three DDP members met with Mr. James Burke of the Project Board, and Mr. Reno Fiorante, Stantec's Senior Vice President, Water, and the CRD's consultant on the CAWTP. The purpose of the meeting was to provide the DDP with background to the CAWTP, provide clarification and answers to the DDP's initial round of questions. To aid the DDP in their understanding of the program, Mr. Fiorante took the DDP through a PowerPoint presentation.

The DDP met an additional six times (29 August to 01 September 2016) to discuss outstanding issues and concerns, identify questions for the Project Board and Consultant, formulate initial findings, and review drafts of this report.

2 Due Diligence Assessment of Wastewater and Biosolids Treatment Options Analysis

The following tables (Table 2-1 and 2-2) identify the issues and questions raised by the DDP and responses received from the project team regarding the wastewater treatment options analysis and the biosolids treatment options analysis, respectively. The tables also indicate whether the issues / questions have been resolved or not to the satisfaction of the Panel.