

Saskatchewan Hospital North Battleford

Public-Private Partnership

Value for Money Assessment Report



Design renderings are subject to change

December 2015



EXECUTIVE SUMMARY

In 2011, the Saskatchewan Government announced it would replace the existing Saskatchewan Hospital North Battleford with a modern, larger publicly-owned and operated provincial mental health facility.

On April 29, 2014, the Government (Ministry of Health, Ministry of Justice: Corrections and Policing, Ministry of Central Services, and SaskBuilds), in partnership with the Prairie North Regional Health Authority (PNRHA), announced its decision to move the project forward as an integrated mental health and correctional complex and that the Government would explore a public-private partnership (P3) model to deliver the facility.



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The new 284-bed facility will consist of 188 beds replacing the current 156-bed SHNB, and 96 secure beds for male and female offenders living with mental health issues.

The two populations will remain separate, as will their programming and treatment. The combined facility is expected to generate synergies in delivering mental health services.

New Larger Facility

Existing Saskatchewan Hospital has 156 beds
New Facility will have 284 beds:
188 beds + 96 secure beds

The Ministry of Central Services will own the facility and be accountable for Access Prairies Partnership's performance under the Project Agreement. Prairie North Regional Health Authority will operate the facility.

By using a P3, the government will deliver the new and improved mental health facility on-time and on-budget and continue to own and operate the facility.

The project is forecast to create approximately 1,500 construction-related jobs in Saskatchewan and create opportunities for many Saskatchewan businesses.

Value for Money

A value for money (VFM) assessment was completed by independent financial advisor Ernst & Young (EY) to select the best procurement approach for the project. EY compared the costs of a P3 procurement to a traditional Design-Bid-Build (DBB) procurement. EY's findings are included in this report.

Using a P3 approach, the Net Present Value (NPV) of the total project cost was \$407 million, compared to \$497 million for a traditional DBB. This represents a \$90 million (or 18%) savings over the life of the long-term contract.

Cost savings were achieved through construction and design innovations, life-cycle optimization, risks shifted from the public to the private sector, and a fixed-price Project Agreement.

Timeline

The procurement process, led by SaskBuilds, began on April 30, 2014 with the Request for Qualifications (RFQ) phase.

Three teams were shortlisted for the Request for Proposals (RFP) phase on October 7, 2014:

- Access Prairies Partnership;
- Integrated Team Solutions; and
- Plenary Health North Battleford.

On July 6, 2015, the Government announced Access Prairies Partnership as

the Preferred Proponent. The team comprises the following companies as a single entity: Graham Design Builders LP, Gracorp Capital Advisors LP, Carillion Canada Inc., Carillion Construction Inc., Carillion Private Finance Ltd., Kasian Architecture Interior Design and Planning Ltd., and WSP Canada Inc.

On August 27, 2015, the Ministry of Central Services signed the Project Agreement for design and construction and the 30-year maintenance period with Access Prairies Partnership.

Construction began in summer 2015 and will be complete in spring 2018.

Innovation

The facility features a number of design innovations and cost saving opportunities:

- Maximizing views of nature from client spaces.
- Smart lay-out for easy wayfinding throughout the facility.
- Using a multi-level design to reduce the overall footprint. The smaller footprint creates operational efficiencies by reducing travel distances for clients and staff.
- Using a cogeneration system to reduce energy consumption.

Fairness Advisor

An independent and external Fairness Advisor was engaged to monitor the two stages of the competitive selection process. The Fairness Advisor concluded that it was fair and impartial. A summary is included in this report. The two Fairness Advisor reports are available on www.saskbuilds.ca.



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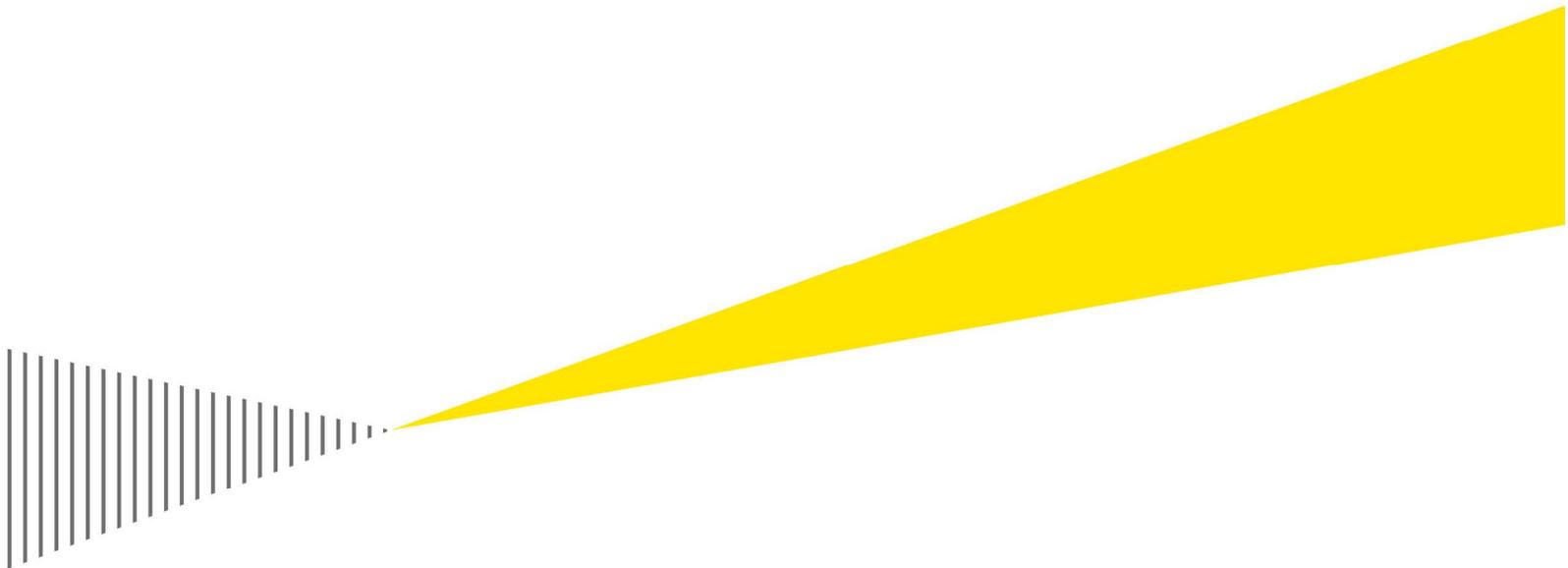


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1. Introduction

Ernst & Young Orenda Corporate Finance Inc. (EY) has prepared this Value for Money Report (Report) for the Saskatchewan Hospital North Battleford (SHNB) project (the Project) in accordance with the terms of our engagement letter dated May 23, 2014.

This Report was prepared solely on SaskBuilds Corporation's ("SaskBuilds") instructions and solely for the purposes of SaskBuilds. The Report is based on objective analysis and information provided to us by SaskBuilds and does not necessarily represent EY view, comments, conclusions and opinions.

Our Report has not considered issues relevant to any third parties. Any use such third party may choose to make of our Report is entirely at their own risk and we shall have no responsibility whatsoever in relation to any such use and, to the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than SaskBuilds for our work, for this Report or for the opinions formed.

Scope of Services

The Report covers the full lifecycle of the Project procurement, from the business case developed in 2013 to the finalization of the project agreement upon Financial Close in August 2015.

EY was engaged as Financial Advisor by SaskBuilds in May 2014, following the completion of the business case, at which point the procurement process had already commenced and a Request for Qualifications (RFQ) had been issued to the market. In our capacity as Financial Advisor, EY performed the following services:

- Updated the Value for Money (VFM) analysis originally undertaken at the business case stage at several points throughout the procurement, including at Financial Close, to reflect updated financial and other assumptions
- Facilitated the development of risk analysis, building on the analysis performed at the business case stage, reflecting a methodology developed and agreed in collaboration with SaskBuilds
- Provided input into financial components of the procurement documentation during the Request for Proposals (RFP) phase of the project, including the project agreement
- Provided input to SaskBuilds in respect of the evaluation of the financial components of the RFQ and RFP submissions
- Supported SaskBuilds on financial and commercial issues during the procurement process, including the interest rate setting process

EY was not involved in the development of the business case or the selection of the procurement model. In addition, in our capacity as Financial Advisor (as described above), EY was not involved in broader aspects of the procurement process, which was led by SaskBuilds and supported by its external advisors (including Partnerships British Columbia).

This Report was developed in collaboration with SaskBuilds.

Purpose of this Report

The purpose of this Report is to provide key information to the public about the Project. This Report describes the need for the Project, how the Design-Build-Finance-Maintain (DBFM) procurement method was selected, the competitive selection process, the key components of the project agreement, and what VFM was achieved.

Abbreviations

DBB	Design Bid Build
DBFM	Design Build Finance Maintain
NPV	Net Present Value
P3	Public Private Partnership
PSC	Public Sector Comparator
RFP	Request for Proposals
RFQ	Request for Qualifications
SHNB	Saskatchewan Hospital North Battleford
VFM	Value for Money

2. Executive Summary

Figure 1 – Preliminary Rendering of SHNB



In 2011, the Saskatchewan Government (the Government) announced the replacement of the existing Saskatchewan Hospital North Battleford. In 2013, the Ministry of Central Services (the Owner), Ministry of Health, the Prairie North Regional Health Authority (PNRHA), Ministry of Justice (Corrections and Policing), and SaskBuilds¹, assisted by a team of external advisors, completed a comprehensive business case study, which resulted in a Government decision that the Project would be procured under a DBFM rather than the traditional project delivery method (DBB). In April 2014, the Government announced its decision to move the Project forward as an integrated mental health hospital and correctional facility, to be procured as a P3.

The procurement process, led by SaskBuilds, began in April 2014 with the RFQ phase. Three teams were shortlisted for the RFP phase in October 2014:

- Access Prairies Partnership (APP)
- Integrated Team Solutions
- Plenary Health North Battleford

In August 2015, following a competitive selection process based on the principles of openness, transparency and fairness, the Ministry of Central Services entered into a performance-based, fixed price project agreement with APP to deliver the Project. The scope of the Project includes design and

¹ A Treasury Board Crown Corporation established by Order in Council, October 2012 to review and make recommendations on the most appropriate procurement option (traditional or alternative) for the infrastructure projects in Saskatchewan.

construction of the new facility, as well as the maintenance and rehabilitation services for the duration of 30 years following completion of construction. At a high level, Project Co will be responsible for:

- Obtaining necessary permits, approvals and authorizations, including those required pursuant to applicable federal, provincial and municipal regulatory and approving authorities
- The necessary site preparation required to accommodate the Project
- All design and construction obligations according to the requirements outlined in the project agreement
- The connection of utilities and other site services at the site boundary
- Testing and commissioning the facility
- Substantial completion of the facility by the target service commencement date
- Maintenance and rehabilitation of the facility over the project agreement term, and
- Handback of the facility in an agreed condition at the end of the project agreement term

The new 284 bed Saskatchewan Hospital North Battleford will include 188 beds replacing the existing facility with an additional 96 secure beds for Corrections and Policing clients experiencing mental health issues. The combined facility is expected to generate synergies in delivering mental health services. The facility features a number of design innovations and cost saving opportunities provided by APP which include:

- The facility layout was designed to maximize views of nature from client spaces and allow for easy wayfinding throughout the facility
- The multi-level design allows for operational efficiencies by reducing the overall building footprint, reducing travel distances for clients and staff, and
- The use of a cogeneration system to reduce energy consumption

APP will receive a monthly service payment for the provided services, which will be subject to performance, facility availability and service quality deductions. Payments may be reduced if APP does not meet the standards contained in the project agreement.

The final project agreement between the Ministry of Central Services and APP is estimated to achieve VFM of \$90 million in NPV terms compared to traditional procurement, with a significant proportion of project risk transferred from the Ministry of Central Services to APP, including construction schedule risk as well as cost and performance risk over the maintenance and rehabilitation period.

An independent external Fairness Advisor, Miller Thompson LLP, was engaged to monitor the competitive selection process and concluded that it was fair and impartial. A summary of the Fairness Advisor's findings is included in Appendix A.

3. Background

3.1 Project Overview

In 2011, the Saskatchewan Government (Government) announced the replacement of the existing 156-bed hospital constructed in 1911. The Ministry of Health, PNRHA and the Ministry of Justice (Corrections and Policing) evaluated the potential financial benefits and service delivery synergies in delivering mental health services through a combined mental health hospital and correctional centre.

In 2013, the Government engaged a team of external advisors to develop a comprehensive business case to inform the government decision making process. As a result of this detailed qualitative and quantitative analysis, in April 2014 the Government announced the decision to move forward to procurement of the Project as a combined mental health hospital and correctional facility procured under a P3 (DBFM) approach.

The new facility will include a 188-bed replacement (for the existing 156-bed Saskatchewan Hospital North Battleford) and secure beds for 96 male and female offenders. PNRHA and the Ministry of Justice (Corrections and Policing) are working together to deliver integrated programming and services to the facility. A combined facility provides opportunities for sharing common areas, while simultaneously maintaining security requirements and protocols.

The new facility will be built on the existing hospital grounds near the current hospital building, minimizing disruption to patients during construction. The Ministry of Central Services will own the new facility.

The vision of the Project is, and will continue to be, serving residents of Saskatchewan with mental illness whose needs cannot be accommodated in local acute inpatient mental health facilities, long-term care homes, or correctional centres.

Figure 2 – Aerial View of the Existing SHNB



3.2 Project Goals

The Project envisions a provincial mental health facility that provides innovative, client-centered and therapeutic services, and contributes to safe, healthy communities. The Project also focuses on maximizing present and future opportunities for efficiencies, cost savings and enhanced program services. The goals of the Project include the following:

- Provide and promote a client-centered and therapeutic environment for clients and families
- Support concepts of safety and security
- Incorporate Lean tools and techniques
- Reduce stigmatization associated with mental illness and with offenders
- Support and serve PNRHA's and Ministry of Justice's (Corrections and Policing) vision, missions and values
- Advance the integration of clinical care, education and research, and
- Ensure environmental sustainability and respect in its unique setting

Figure 3 – Preliminary Rendering: Therapy Mall



3.3 Project Innovations

The facility design features multiple innovations and cost saving approaches, some of the key design innovations are discussed in detail in this section.

3.3.1 Therapeutic Design

The facility will include a straightforward interior layout that maximizes views to nature from client spaces and allows for easy wayfinding throughout the facility. Hallway alcoves located throughout the facility provide additional opportunities for clients, staff and visitors to relax and enjoy nature, enhancing the therapeutic nature of the facility. The focus is on the clients and their connection to nature, which is maximized in their individual client rooms, each with a large window, again reinforcing the healing environment of the facility.

3.3.2 Efficient Layout

The multi-level design allows for stacking of some client care units, which contributes to a more compact building footprint, thereby reducing travel distances for both clients and staff. This is aided by

the lower level corridor that connects the facility and allows for support service connections away from public and client areas. The use of back of house entrances to the client care units also reinforces the therapeutic and homelike feeling of the living spaces, where support services staff can access the units directly off the corridor versus traveling through each of the units. Additional operational efficiencies are found in the standardization across key elements of the facility, which will provide efficiencies for support services and clinical operations, as well as streamlining staff orientation.

3.3.3 Energy Efficient Systems

In addition to operational efficiencies found in the building design, a cogeneration system has also been included to reduce energy consumption on-site. This involves the generation of electricity as well as utilization of waste heat to produce heat for the facility; this is expected to result in operational savings on utilities long-term.

4. Project Delivery Options

4.1 Methodology

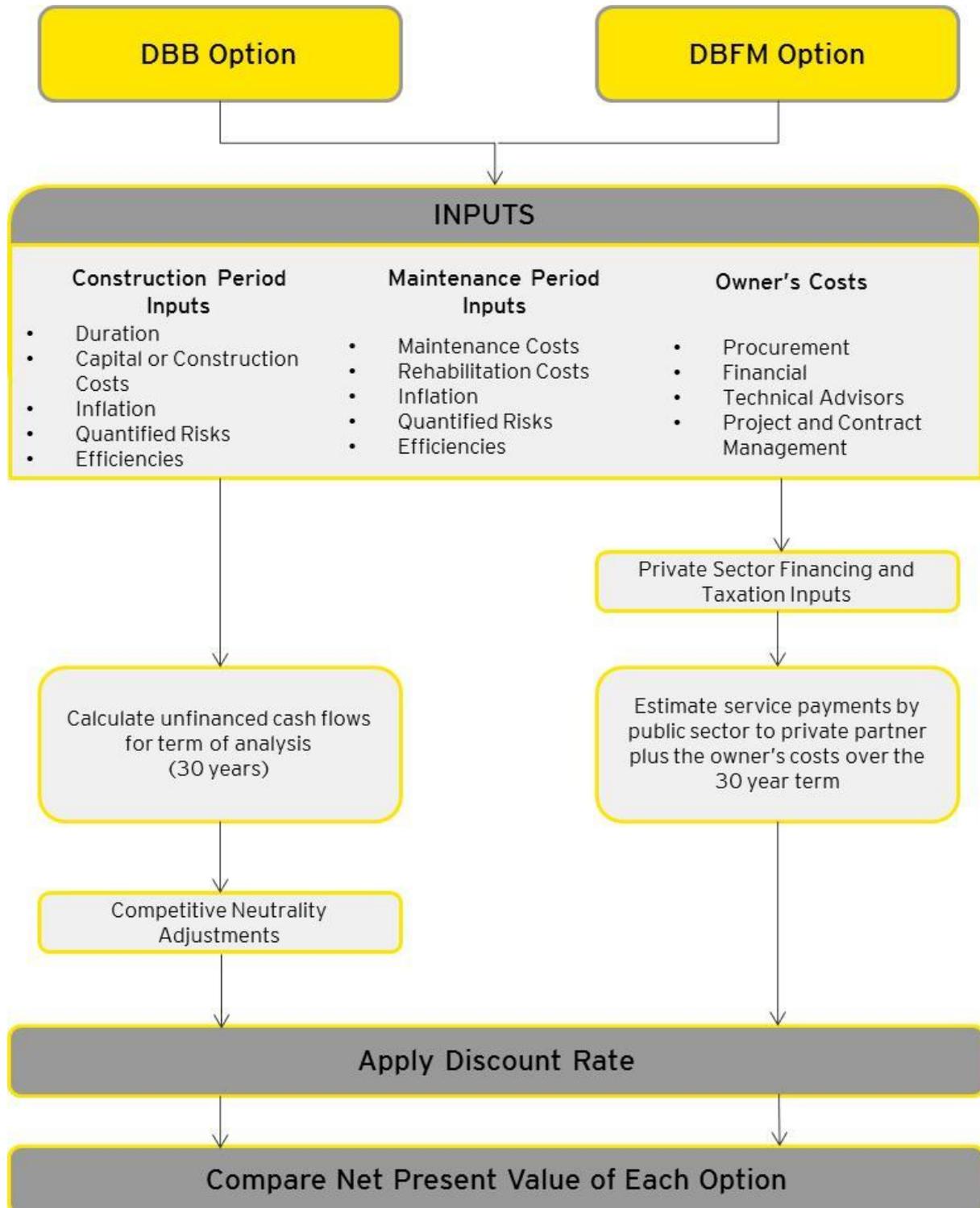
A VFM assessment was completed to compare the lifecycle risk-adjusted costs of the two procurement options: traditional Design-Bid-Build (DBB) and P3 Design-Build-Finance-Maintain (DBFM). The purpose of the VFM assessment was to identify the procurement option that would provide the greatest value through the design, construction, and maintenance and rehabilitation phases of the project. A financial model was developed to compare which approach generated the greatest VFM.

The VFM assessment process included a comprehensive risk analysis to identify and quantify the risks retained by the public sector under each procurement option. Other costs were also incorporated including: design, construction, maintenance, and rehabilitation-related costs; and transaction costs (legal, fairness, technical advisors, project management, and contract management fees). Model specific adjustments were made to ensure a fair comparison between procurement options. For example, the DBB model was adjusted to account for differences in tax treatment between the public and private sectors (the “competitive neutrality” adjustment).

Differences in timing and cash flows between procurement options are an important consideration in the analysis of long term cash flows. In order to allow for these differences a discounted cash flow approach was utilized. A discount rate was applied to the projected future cash flows to allow for timing differences.

The graph shown on the next page illustrates the financial modeling approach used to compare procurement models.

Figure 4 – Procurement Models Analysis



4.2 Procurement Options

In the procurement options analysis performed by SaskBuilds and PBC in 2013 as part of the business case development, the DBB approach was compared to the DBFM approach. Each of the options is discussed in detail below.

4.2.1 Design-Bid-Build

DBB is the most common procurement method used by the Government to design and build infrastructure. Using this model, the Ministry of Central Services would hire private sector architects/engineers and consultants to design the facility. The Ministry of Central Services would then issue a tender for the construction. The construction contractor would build the facility based on the architect's specifications. The Ministry of Central Services would make monthly progress payments to the contractor based on the level of construction completeness.

As the design is procured separately from construction, the Ministry of Central Services would retain the risk for any errors or omissions in the design. As well, the Ministry of Central Services would retain key construction risks, such as schedule and budget. Schedule delays or unexpected increases in cost would result in a cost to the Ministry of Central Services, not to the contractor. Further, the contractor would only be tasked with constructing the facility and is not involved beyond the construction warranty period. In this case, the Ministry of Central Services would own the facility and is responsible for maintenance and rehabilitation costs.

4.2.2 Design-Build-Finance-Maintain

DBFM is a P3 procurement method in which a private partner, comprising a group of companies (architects/engineers, construction contractor, maintenance providers, and lender/equity providers), referred to as Project Co, and would be selected to design, build, finance and maintain the facility as part of a long-term project agreement. The project agreement term includes the design and construction period (approximately three years) and a 30-year maintenance and rehabilitation period.

The DBFM model is based on financial incentives for Project Co to deliver on-time and on-budget construction, as well as provide high level of quality for the ongoing maintenance and rehabilitation services. The Ministry of Central Services is able to monitor Project Co's performance during the construction, and maintenance and rehabilitation periods, as the payments throughout the whole life of the Project are performance-based, and deductions would be made where Project Co breaches its obligations outlined in the project agreement.

The private sector partner would finance a portion of the construction costs through a combination of debt and equity. The repayment of this financing would be achieved through payments from the public sector during the Project term, which are contingent upon performance and meeting contractual requirements. The risk of not making the required rate of return helps ensure the Project is delivered on-time and on-budget during the construction period, and is compliant with the level of service prescribed in the project agreement during the maintenance and rehabilitation period.

There are a number of additional benefits associated with the DBFM approach:

- There is added potential for innovations with a one-team approach to design, build, maintain and rehabilitate the facility, as the nature of the long-term relationship creates an added incentive to use high quality materials and design choices to minimize the whole life costs
- The integration of design and construction phases translates into a more time-efficient project schedule, since these two activities occur simultaneously
- The risks for changes to design, construction cost and schedule, and maintenance and rehabilitation costs are transferred to Project Co, unless such changes are initiated by the Owner
- The 30-year commitment by Project Co to maintain the facility means that Project Co has a vested interest to deliver the best quality asset upfront. This commitment would drive innovation in the

facility design, which can deliver cost-savings to the Ministry of Central Services and Project Co over the maintenance and rehabilitation period through reduced costs, and

- At the end of the Project term, the facility condition must meet required standards (handback requirements) prescribed in the project agreement

The Ministry of Central Services would continue to own the facility, and the Regional Health Authority would operate the facility in partnership with the Ministry of Justice (Corrections and Policing).

4.3 Procurement Options Analysis Result

The VFM assessment indicated that the DBFM approach would provide greater VFM than the traditional DBB approach for this project (the final VFM assessment is presented in Section 7). Based on this assessment it was determined that the DBFM option should be used to procure the Project.

5. Procurement Process

The procurement followed a rigorous, competitive, open, transparent and fair process. A two-step process based on Canadian best-practice precedent was undertaken, entailing a Request for Qualifications (RFQ) phase and a Request for Proposals (RFP) phase. These phases are described further below.

5.1 Request For Qualifications

The release of the RFQ initiated the procurement phase of the Project by inviting interested teams to indicate their interest in the Project through submission of an RFQ response. The RFQ was issued on April 30, 2014, with three teams making submissions. The evaluation considered each team's financial capacity to undertake the Project and their technical experience of delivering projects of a similar scope and size. All three teams were evaluated in accordance with the evaluation process by the evaluation committee which included representatives from SaskBuilds, Ministry of Central Services, PNRHA, Ministry of Justice (Corrections and Policing) and the Ministry of Health, and external expert advisors. The three teams were shortlisted for the RFP stage.

Figure 5 – Shortlisted Proponent Teams

Proponent Team Name	Design	Construction	Financing (Equity/Debt)	Maintenance and rehabilitation
Access Prairies Partnership	<ul style="list-style-type: none"> Kasian Architecture Interior Design and Planning Ltd WSP Canada Inc. 	<ul style="list-style-type: none"> Graham Design Builders LP Carillion Construction Inc. 	<ul style="list-style-type: none"> Carillion Private Finance Limited Gracorp Capital Partners LP National Bank Financial TD Securities 	<ul style="list-style-type: none"> Carillion Canada Inc. Graham Design Builders LP
Integrated Team Solutions	<ul style="list-style-type: none"> Parkin Architects Limited Group 2 Architecture Interior Design MMM Group Insight Technologies Univex Canada Limited Stephenson Engineering Ltd 	<ul style="list-style-type: none"> EllisDon Corporation 	<ul style="list-style-type: none"> Canada Life Assurance Company Stonebridge Infrastructure Debt Fund II EllisDon Capital Inc. Fengate Capital Management 	<ul style="list-style-type: none"> Cofely Services EllisDon Facility Services
Plenary Health	<ul style="list-style-type: none"> B+H Architects Mongomery Sisam Architects Inc. DGBK Architects 	<ul style="list-style-type: none"> PCL Construction Management Inc. 	<ul style="list-style-type: none"> Plenary Group Canada Ltd. PCL Construction Group Inc. 	<ul style="list-style-type: none"> Johnson Controls LP

5.2 Request For Proposals

The RFP phase was used to select the successful proponent from the short-listed proponents based on an evaluation of technical and financial proposals submitted in response to the RFP issued on October 7, 2014. The proposals were evaluated by an RFP Evaluation Committee, which included representatives from SaskBuilds, Ministry of Central Services, PNRHA, Ministry of Justice (Corrections

and Policing) and the Ministry of Health, and external expert advisors. The shortlisted proponent with the lowest adjusted price and added value gained through innovation in design was selected as the Successful Proponent.

5.3 Procurement Process Timeline

The table below provides a summary of the key milestones in the procurement process.

Figure 6 – Procurement Process Summary

Procurement Stage	Date
RFQ Issued	April 2014
RFQ Response Deadline	July 2014
RFP Issued	October 2014
RFP Technical Proposal Deadline	April 2015
RFP Financial Proposal Deadline	June 2015
Announcement of Successful Proponent	July 2015
Financial Close	August 2015

5.4 Fairness Advisor

A Fairness Advisor, Miller Thompson LLP was engaged by SaskBuilds to monitor the competitive selection process and offer an assessment about the procedures and whether or not the competitive selection process was carried out in a fair and reasonable manner. The Fairness Advisor was provided access to all documents, meetings, and information related to the evaluation processes throughout the RFQ and RFP stages. The Fairness Advisor issued reports to SaskBuilds for both the RFQ and RFP stages of the competitive selection process. The reports issued by the Fairness Advisor concluded that the Evaluation Committee selected and recommended a Preferred Proponent in accordance with the procurement process and evaluation criteria set out in the RFP. The Evaluation Teams and Evaluation Committee acted in a professional and impartial manner while reviewing the proposals of each Proponent. As well, the Evaluation Committee's report to the Steering Committee reflected the decisions, scoring and consensus consistent with the RFP evaluation process. Overall, the procurement process was followed in accordance with the terms of the RFQ and RFP and appeared to be fair, transparent and unbiased. The final Fairness Advisor's report is located in Appendix A and the additional reports are available at www.saskbuilds.ca/projects

6. Project Agreement Overview

6.1 Profile of the Private Sector Partner

After completion of a comprehensive analysis of the technical and financial requirements by the Project team, Access Prairies Partnership was formally selected as the Successful Proponent on July 6, 2015. Financial close was achieved on August 27, 2015.

Figure 7 – APP Composition and Roles

Consortium Leads

- Carillion Canada Inc.
- Graham Capital Partners LP

Carillion Canada Inc. and Graham Capital Partners LP serve as the integrated consortium lead and will oversee all aspects of the Project, including: financing, planning, design and construction, maintenance and rehabilitation, and performance monitoring for the project agreement term.

Equity Providers

- Carillion Private Finance Limited
- Graham Capital Partners LP

Carillion Private Finance Ltd. (50%) and Graham Capital Partners LP (50%) will provide equity for the Project.

Lenders

- National Bank Financial Inc.
- Toronto Dominion Securities Inc.

National Bank Financial Inc. and TD Securities Inc. will provide the senior debt capital for the Project.

Design Lead

- Kasian Architecture Interior Design and Planning Ltd.

As the design lead, Kasian Architecture Interior Design and Planning Ltd. will be responsible for the design of the facility.

Construction Leads

- Graham Design-Builders LP
- Carillion Construction Inc.

As a joint-venture, led by Graham Design-Builders LP, the above companies will be responsible for the Project's design-build requirements, and where necessary, subcontractors will perform some of the design-build activities.

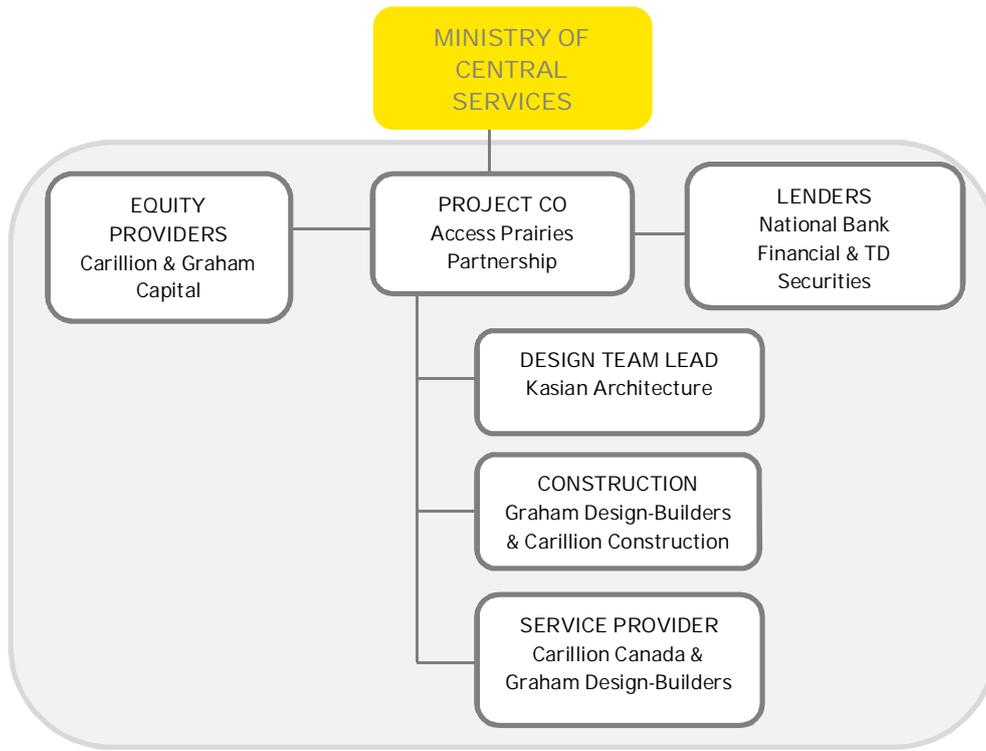
Maintenance and rehabilitation

- Carillion Canada Inc.
- Graham Design-Builders LP

As a joint venture, led by Carillion Canada Inc., the above companies will be responsible for the maintenance and rehabilitation deliverables.

The structure of APP is shown in the figure below.

Figure 8 – APP Structure



6.2 Key Terms of the Project Agreement

The project agreement between the Ministry of Central Services and APP includes an approximately three-year design and construction period and a 30-year maintenance and rehabilitation period. Under the terms of the project agreement, each party has the following responsibilities:

Figure 9 – Project Agreement Responsibilities

Project Stage	APP	Ministry of Central Services
Construction	<ul style="list-style-type: none"> Finance the construction over the project agreement term Achieve required permits and approvals to commence construction Design and build the facility on-time and on-budget by June 2018 	<ul style="list-style-type: none"> Own the facility Make construction period payments and monthly service payments in a timely manner and take deductions from the aforementioned payments as required by the project agreement Monitor the performance of APP throughout the project agreement term, including the design and construction period and the maintenance and rehabilitation period, and Remain publicly accountable
Maintenance and rehabilitation (30 years from the service commencement date)	<ul style="list-style-type: none"> Maintain and rehabilitate the facility over a 30-year term including routine, planned and unplanned maintenance Develop and implement a renewal plan to ensure the facility meets the performance requirements Complete handback requirements for 2048 when Project Co hands the maintenance and rehabilitation responsibilities over to the Ministry of Central Services 	

APP's performance will be continuously monitored throughout the project agreement term. A number of mechanisms have been established to achieve this.

6.3 Ongoing Project Monitoring

6.3.1 Construction Period

The project agreement specifies monitoring mechanisms to ensure the timeliness of the facility completion and the quality of the construction:

- During design and construction an Independent Certifier is responsible for reviewing and monitoring construction progress and quality, as well as reviewing invoices for proposed design changes. The Independent Certifier is selected through a competitive tendering process and jointly funded by the Ministry of Central Services (50%) and APP (50%) to provide independent oversight and monitoring of construction progress and quality.
- In addition, at substantial completion, the Independent Certifier issues a certificate of completion once APP has met the design and construction requirements set out in the project agreement.
- APP's lenders will also review performance during the construction period.
- The Construction Period Joint Committee oversees the construction of the facility. The committee is comprised of APP, Ministry of Central Services, PNRHA, Ministry of Justice (Corrections and Policing), Ministry of Health, and SaskBuilds representatives. The committee meets monthly to discuss matters relating to the project and to review the reports from the Independent Certifier.

6.3.2 Maintenance and Rehabilitation Period

Similarly to the construction period, the project agreement provides service monitoring protocols during the maintenance and rehabilitation period:

- The Operating Period Joint Committee provides oversight and direction on matters related to the maintenance and rehabilitation period. The committee meets monthly throughout the term of the project agreement and includes representatives from APP, Ministry of Central Services, PNRHA, Ministry of Justice (Corrections and Policing), Ministry of Health, and SaskBuilds (Note: SaskBuilds will be involved in monthly meetings for approximately one-year following Substantial Completion. SaskBuilds will then transition to an oversight role, receiving annual updates from the committee). The committee reviews and monitors APP's performance throughout the life of the project agreement.
- The Ministry of Central Services, in collaboration with PNRHA, will perform inspections and testing to check reports and ensure the requirements continue to be met.
- APP's lenders will also review performance during the maintenance and rehabilitation period.

6.3.3 End of Project Agreement Term

- The Ministry of Central Services and APP will undertake a number of activities to assess the condition of the facility prior to project agreement expiry. This assessment will ensure the asset is in the condition specified in the project agreement prior to handback. Financial penalties will be applied if the asset is not delivered to the Ministry of Central Services in the specified condition.
- After the project agreement expires, the Ministry of Central Services will assume responsibility for maintaining the facility.

6.4 Performance-based Payment Principles

Payments are performance-based, which means they can be reduced in the event APP does not meet the performance requirements of the project agreement. This provides a level of protection for taxpayers who will not pay for services that are not provided or work that is not completed. For example, if a portion of the facility becomes unavailable and the problem is not rectified within a defined period of time, specific deductions would be applied to reduce the monthly service payment received by APP.

6.4.1 Project Costs for the Construction Period

The Ministry of Central Services will make monthly payments throughout the construction period to the maximum amount of \$94 million. The payments will be made against the monthly progress of construction as certified by the Independent Certifier, towards capital costs. Deductions may be made to construction period payments if APP does not meet its project agreement obligations for the design and construction period.

6.4.2 Project Costs for the Maintenance and Rehabilitation Period

From Service Commencement, as certified by the Independent Certifier, the Ministry of Central Services will commence paying monthly service payments to APP for the duration of the 30-year maintenance and rehabilitation term. The payments are subject to performance, and APP has committed to meeting a defined level of the facility availability, as well as meeting specific key performance Indicators throughout the project agreement term. Non-compliance with any of these obligations may result in deductions being applied to the service payments, which is intended to align APP incentives with those of the Ministry of Central Services over the project agreement term.

6.5 Adjustments to the Service Payments

The service payments may be adjusted according to the specific terms stated in the project agreement, specifically:

- **Indexation:** A portion of the service payment that will be adjusted for consumer price index (CPI) on an annual basis, intended to reflect the proportion of index-linked maintenance and rehabilitation period costs relative to the overall cost base of APP.
- **Deductions:** The monthly service payment may be reduced if APP does not meet the performance requirements outlined in the project agreement. Deductions will vary depending on the incidents' severity and duration.
- **Changes:** In cases where the Ministry of Central Services requires changes to the physical infrastructure of the facility or the scope of maintenance and rehabilitation services, the Ministry of Central Services will directly reimburse APP for the costs of amendments either through a lump sum payment or a change to the service payment.
- **Change in Law:** Under certain circumstances, the Ministry of Central Services may compensate APP for a change in law that causes APP to incur additional costs.
- **Compensation Events:** The project agreement defines certain events, typically outside of APP's reasonable ability to control or mitigate, where they are provided the compensation to leave them in a no-better and no-worse position, potentially involving an adjustment to service payments.

6.6 Risk Allocation Summary

An important advantage of a P3 is the opportunity to appropriately allocate risks to the party or parties best able to manage them. In some cases, APP is the appropriate party to manage a risk, whereas in others it may be the Ministry of Central Services, or a shared risk between the two parties.

The project agreement includes detailed risk allocation provisions over the project agreement term. This approach transfers key risks to APP, such as construction cost and schedule and adds value through design and private sector innovation.

The table below summarizes the key risk allocation retained by the Ministry of Central Services, transferred to APP and shared between the two parties.

Figure 10 – Risk Allocation Summary

Risk	Retained by Ministry of Central Services	Transferred to APP	Shared
Approvals & Procurement			
Government project approval	✓		
Procurement – schedule delay	✓		
Interest base rate – pre-Financial Close	✓		
Municipal, provincial and federal approvals, including environmental, building and development permits		✓	
Design & Construction Period			
Scope changes (Owner-initiated)	✓		
Construction delays (Owner-initiated)	✓		
Construction delays (Project Co-initiated)		✓	
Construction – labour shortage		✓	
Geotechnical		✓	
Design errors or omissions		✓	
Quantity of estimate errors		✓	
Weather-related construction delays		✓	
Commissioning delays		✓	
Unresolved deficiencies		✓	
Latent defect – construction		✓	
Maintenance and Rehabilitation Period			
Inaccurate measurement of asset expected life		✓	
Facility maintenance costs		✓	
Life Cycle (excluding IMIT components)		✓	
Life Cycle (IMIT components only)	✓		
Supervening Events			
Change in Law			✓
Force Majeure			✓

6.7 Accounting Treatment

The P3 capital asset and the amount owing for the liability of the private financing are recorded over the construction period as a percentage of completion as the asset is constructed. The accounting value for the asset is the total of the provincial capital contributions paid during or on completion of construction (in nominal dollars at the point of payment) and the present value of repayments over time to repay the private financing. These repayments are discounted at the Government of Saskatchewan's long-term borrowing rate at the date of the signing of the project agreement to the date the P3 capital asset is available for use. The accounting treatment used for the project aligns with Canadian public sector accounting standards.

6.8 Risk Adjustment

In order to ensure comparison of options on a like for like basis, an adjustment to allow for the differences in the risks retained under each procurement option was estimated.

This Section sets out the methodology for estimating the appropriate value of risks retained by the public sector, transferred to a third party or shared between the parties (public and private sector) depending on the project delivery method.

6.8.1 Risk Quantification

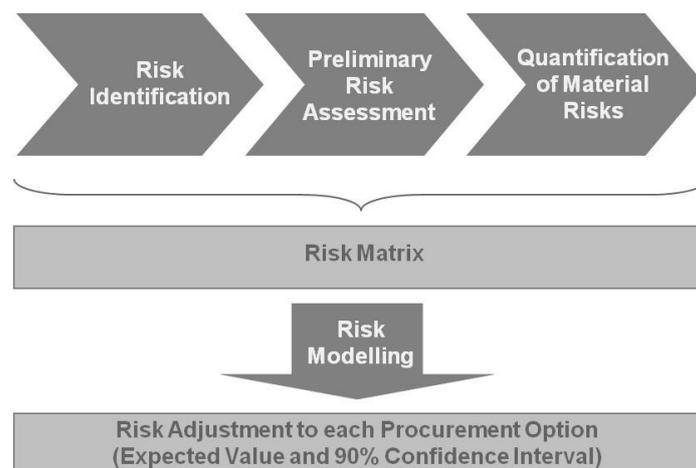
The Project presents different inherent risks depending on its procurement option. The foundation for risk allocation is based on the premise that the party which is able to manage a given risk most efficiently (i.e. at the lowest cost) should assume that risk. Once the identified risks have been quantified, their value (i.e. the expected cost of these risks) is incorporated into the Project cash flows in order to compare the procurement models on a risk-adjusted basis.

To quantify the risk values under DBB and DBFM, risk workshops were held with all stakeholders of the Project. The workshops involved experts in a number of areas (including construction, correctional and hospital operations, legal and finance) from SaskBuilds, Ministry of Central Services, PNRHA, Ministry of Justice (Corrections and Policing) and the Ministry of Health and advisors to the Project. The workshops involved identification by the participants of the key risks relevant to the project and different procurement options. Each risk was then quantified under each procurement option by assessing the likelihood and impact of occurrence of the risk using a 3-point estimate (low, high and expected), where possible, on demonstrated experience. For example, the risk of construction delays under DBB was assessed by reviewing actual experience of delays on previous DBB projects implemented. The allocation of the risks under each procurement option was also estimated (assuming either retained by the public sector, transferred to the private sector or shared) based on experience of the Government or on the basis of the risk allocation set out in the draft project agreement.

The risk quantification process was updated several times throughout the Project at key stages in order to ensure that the identification, allocation and quantification of risks reflected changes in the final scope and the final project agreement.

The process to estimate the risks in the Project is summarized in the diagram below:

Figure 11 – Overview of the Risk Quantification Process



6.8.2 Risk Modelling

A risk model was created using the information contained in the final agreed risk register. Specific software for risk modeling, @RISK, was used to perform a Monte Carlo simulation² with this information. For each risk, the RiskTrigen (a function contained within the @RISK software) distribution was selected into which the values for best, expected and worst outcomes were input.

The RiskTrigen distribution was selected as it provides for a triangular distribution defined by three points – one at the most likely value and two at the specified lower and upper percentiles. Given the level of accuracy associated with the inputs, using a more refined distribution model is considered unwarranted. The Low and High outcomes were set to represent the 5th and 95th percentiles along the RiskTrigen distribution. The objective of the Monte Carlo analysis is to provide a range of possible values for each procurement option within which the final outcome is expected to lie.

2 A Monte Carlo analysis is a form of stochastic modeling used to evaluate a probability distribution by performing a simulation of the probability distribution over a large number of iterations. In performing the analysis the Monte Carlo simulation takes randomly selected variables across the range of the probability distribution to provide a range of potential values of the risk. The calculation is repeated a large number of times to obtain the distribution of the expected values of the risks. A sample of 10,000 iterations was used in the simulation to ensure that the results were not adversely impacted by any sampling bias.

7. Value For Money Assessment

This section of the Report provides a summary of the final VFM estimated to have been achieved in undertaking the DBFM procurement option rather than the DBB procurement option which would otherwise have been undertaken. The assessment is based on the actual costs proposed and subsequently contractually committed to by the successful proponent in the case of the DBFM option. For the DBB procurement option the assessment is based on the estimated cost of the Owner undertaking the Project to meet the same minimum performance requirements as the DBFM procurement option specified under the RFP issued to the shortlisted proponents.

VFM is estimated by calculating the NPV of the total costs of the Project under each procurement option. The cash flows have been considered for the Project over the term of the expected construction phase plus a 30 year maintenance and rehabilitation period.

7.1 Key Timing and Economic Assumptions

The table below provides a summary of the timing assumptions that apply to the Project under both of the procurement options:

Figure 12 – Timing Assumptions

Procurement Stage	DBB	DBFM
Financial Close Date	N/A	August 27, 2015
Construction period	35 months	33 months
Substantial Completion Date	July 1, 2018	June 1, 2018
Maintenance period	30 years	30 years
Project end date	June 30, 2048	May 31, 2048

The timing assumptions are based on the key milestones set out within the project agreement and on which the successful proponent's pricing was based.

The following economic assumptions were used in preparing the analysis and apply to both procurement options.

Figure 13 – Economic Assumptions

Escalation Assumptions	
CPI	2.0%
Discount rate	
Discount rate	3.25%

7.2 NPV of DBB Procurement Option

Under a DBB procurement option, the estimated NPV of the Project to the Government of Saskatchewan would have been approximately \$497.2 million. This amount includes:

- The expected direct costs of the Province's DBB procurement option relating to the design and construction, and maintenance and rehabilitation of the Project
- Ancillary costs incurred by the Owners for procuring and managing the Project
- The expected value of risks retained by the public sector. Under the DBB option the public sector would retain the majority of the key risks that unforeseen costs and time delays during both the

design and construction and maintenance and rehabilitation phases (with the maintenance and rehabilitation phase considered over a 30 year period for the purpose of this comparative analysis) will lead to higher than expected costs. Key risks retained under the DBB procurement option include risks related to the approvals and tender process, delays relating to construction, the risks relating to the scope changes by the Government during construction, the risks relating to design errors and omissions, and the risks relating to the condition of the assets over the longer term, and

- A competitive neutrality adjustment amount to allow for the difference in the taxation and insurance requirements between the DBFM and DBB procurement options

The breakdown of the NPV of the expected DBB procurement option cost is shown in the table below:

Figure 14 – DBB NPV Cost

(\$ million, NPV)	DBB
Construction Costs	237.5
Maintenance and Rehabilitation Costs	72.3
Sub-total (Construction, Maintenance and Rehabilitation Costs)	309.8
Retained Risks	176.1
Ancillary Costs	6.6
Competitive Neutrality Adjustment	4.7
Total Net Present Value	497.2

7.3 NPV of DBFM Procurement Option

Under the DBFM agreement, the estimated NPV of the Project to the Government of Saskatchewan will be approximately \$407.2 million. This amount includes:

- Payments to the private sector partner based on the signed project agreement which include:
 - construction period payments providing partial compensation for completion of the Project during the construction period, and
 - service payments made monthly over the maintenance and rehabilitation period of the Project
- Ancillary costs to the Owners for procuring and managing the project, and
- The expected value of risks retained by the public sector under the procurement option. Under the DBFM procurement option there is a significant transfer of risk to the private sector partner who are obligated to provide the serviced asset on time and on the basis of the pricing set out within the signed project agreement. The value of risk retained is therefore significantly reduced when compared to the DBB procurement option above. Key risks retained under the DBFM procurement option include risks related to the approvals and tender process, the risks relating to the condition of the asset over the longer term, and the element of risk associated with the inflation for the energy and labour costs.

The breakdown of the NPV of the expected DBFM cost is shown in the table below:

Figure 15 – DBFM NPV Cost

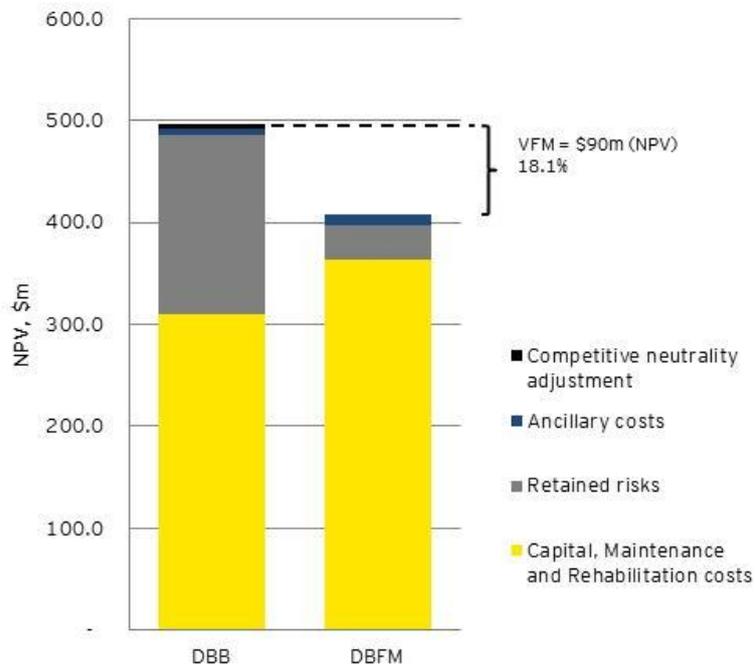
(\$ million, NPV)	DBFM
Payments to the Private Sector Partner	363.4
Retained Risks	33.8
Ancillary Costs	10.0
Total Net Present Value	407.2

7.4 Summary

The VFM assessment shows that the DBFM procurement option provides a \$90 million value for money saving when compared to the traditional procurement method (equivalent to 18.1% of the DBB NPV). The following figure summarizes the final VFM result.

Figure 16 – VFM Comparison

	DBB	DBFM
Payments to the Private Sector Partner	309.8	363.4
Retained Risks	176.1	33.8
Ancillary Costs	6.6	10.0
Competitive Neutrality Adjustment	4.7	-
Total Net Present Value (\$ million)	497.2	407.2
VFM (compared to DBB, \$ million)	90.0	
VFM (compared to DBB, %)	18.1%	



Appendix A – Fairness Advisor Report

SASKATCHEWAN HOSPITAL NORTH BATTLEFORD – INTEGRATED CORRECTIONAL FACILITY PROJECT

**MINISTRY OF CENTRAL SERVICES, MINISTRY OF HEALTH,
MINISTRY OF JUSTICE (CORRECTIONS AND POLICING),
PRAIRIE NORTH REGIONAL HEALTH AUTHORITY (“AUTHORITY”) AND
SASKBUILDS CORPORATION (“SASKBUILDS”)**

FINAL REPORT OF THE FAIRNESS ADVISOR ON THE COMPETITIVE SELECTION PROCESS FOR:

RFP STAGE

Dated: June 22, 2015

**TO: Steering Committee,
Saskatchewan Hospital North Battleford – Integrated Correctional Facility Project**

This report covers the following issues:

1. Scope of review;
2. Purpose of review;
3. Framework for review;
4. Statement of conformance - review has been conducted in accordance with framework;
5. Explanatory details regarding variables affecting review;
6. Project Background / Monitoring Activities by Fairness Advisor;
7. Any recommendations to improve process in future;
8. Any qualifications on endorsement of process;
9. Statement that Fairness Advisor has fulfilled terms of engagement to express opinion; and
10. Findings / opinion - whether process appears to have been undertaken in accordance with fairness principles expressed or implied in procurement documents.

Respectfully submitted,

Owen D. Pawson
Fairness Advisor

SCOPE OF REVIEW

I was retained on April 24, 2014 to act as the Fairness Advisor for the Saskatchewan Hospital North Battleford – Integrated Correctional Facility Project (the “Project”). My role is to satisfy myself on the overall procedural fairness of the competitive selection process associated with the Project.

The Authority and SaskBuilds issued a Request for Qualifications (“RFQ”) for the Project on April 30, 2014. The opportunity was posted on SaskTenders on April 30, 2014 and on the electronic bidding site MERX® on May 1, 2014. Three respondents responded to the RFQ and their submissions were evaluated during the RFQ stage of the competitive selection process. All three respondents were selected to advance to the Request for Proposals (“RFP”) stage. I rendered a report on August 22, 2014 regarding the fairness of the RFQ stage of the competitive selection process in which I expressed my opinion that it had been conducted fairly, without bias and in accordance with the procedures and criteria described in the RFQ. The RFP was issued on October 7, 2014. Technical Submissions closed on April 7, 2015 and Financial Submissions closed on June 2, 2015.

My engagement covers the procurement process for the Project from the issuance of the RFQ to the selection of the Preferred Proponent. This Final Report covers the RFP stage of the competitive selection process that lead to the selection of the Preferred Proponent.

The terms of my engagement state that, as Fairness Advisor, I was asked to do the following:

- act as an independent observer with respect to the fairness of the implementation of the competitive selection process for the Project;
- provide advice, as requested, to the Project team on matters of fairness;
- be available to Proponents to answer any questions or address any concerns they may have related to fairness in the procurement process; and
- provide formal written reports at specific points during the competitive selection process as described below.

It was expected that the activities and extent of observation and monitoring by the Fairness Advisor would be self-determined. However, they were likely to include the following activities:

- review of the RFQ and RFP documentation and comment on whether, and the extent to which, the procurement process as described could potentially cause a fairness issue (recognizing that the Fairness Advisor does not act as procurement legal counsel to the Project);
- selective observation and monitoring to determine whether consideration, communications and responses undertaken by the Authority's Project team during the RFQ and RFP stages of the procurement process are undertaken in accordance with the terms of the RFQ and RFP;
- observe and monitor bilateral discussions and collaborative meetings between the Project team and the Proponents;
- observation and monitoring of the evaluation processes established for the RFQ and RFP stages; and

- selective observation and monitoring of relevant (as determined by the Fairness Advisor) meetings where Proponent evaluation and comparisons are made and the evaluation criteria, weighting and rating systems are applied.

The Fairness Advisor will:

- be provided full access to all information related to the competitive selection process for the Project as the Fairness Advisor decides is required which may include documentation, personnel, premises, meetings, reports and minutes;
- be permitted full access to any and all meetings, telephone conferences or other events that, in the discretion of the Fairness Advisor, are appropriate; and
- be kept fully informed by the SaskBuilds Project Director of all documents and activities associated with the procurement processes for the RFQ and RFP.

My role as the Fairness Advisor is not to validate the Evaluation Committee's recommendation of the Preferred Proponent but rather to provide oversight and assurances regarding the manner in which the competitive selection process was applied in making that recommendation. At my discretion, I may meet these responsibilities by undertaking steps I determine are most appropriate to meet this mandate.

PURPOSE OF REVIEW

The purpose of my review of the competitive selection process, and for this Report on the RFP stage in particular, is to provide arm's length advice to the Steering Committee and independent assurance as to the fairness and appropriateness of project management activities undertaken in relation to the procurement process for the Project.

FRAMEWORK FOR REVIEW

At both the RFQ and RFP stages of the competitive selection process covered by my engagement as Fairness Advisor, I undertook selected activities in order to meet the terms of my review. These activities have included, where relevant:

- (a) reviewing standards for handling of documents, security of documents, procedures for clarifying or rectifying errors by the Project team and/or the respondents/Proponents;
- (b) reviewing documentation issued by SaskBuilds to respondents/Proponents including procurement documents and addenda;
- (c) ascertaining whether each respondent (RFQ) and Proponent (RFP) was provided with access to the same information as other respondents and Proponents for the purposes of responding to the specific procurement stages;
- (d) ascertaining whether evaluation criteria were established in advance of evaluations being undertaken;
- (e) ensuring that adequate measures for confidentiality, avoidance of conflict of interest and avoidance of unfair advantage were established in the competitive selection process as well as procedures for resolving issues which may arise during the process;
- (f) obtaining and reviewing information regarding any rulings made by the Relationship Review Committee and the Conflict of Interest Adjudicator;

- (g) reviewing the evaluation criteria proposed for the RFQ and RFP stages of the procurement process to determine whether they were reasonably and rationally connected to the stated Project objectives;
- (h) reviewing submissions by respondents and Proponents to a detail necessary to ensure an adequate familiarity with the terms of those submissions in order to undertake the fairness review;
- (i) reviewing procedures to ensure that appropriate records regarding verbal and written contact with respondents/Proponents were prepared and retained; and
- (j) attending selected meetings of the Evaluation Committee and the Evaluation Teams.

REVIEW CONDUCTED IN ACCORDANCE WITH THIS FRAMEWORK

My review was conducted within the framework described above.

PROJECT BACKGROUND AND MONITORING ACTIVITIES OF FAIRNESS ADVISOR

A. Background

In 2011, the Province of Saskatchewan announced the replacement of the existing Saskatchewan Hospital in North Battleford. Investigation by the Authority determined that there were expected to be significant synergies in delivering mental health services through a combined mental health facility, combining the Hospital with a Correctional Centre. The combined facility would also provide opportunities for shared common and facility maintenance space. On April 29, 2014, the Province announced that the Project would move forward as a combined facility and the Project was approved to proceed to procurement. The mandate of the Hospital is to serve residents of Saskatchewan with mental illness whose needs cannot be accommodated in local acute inpatient mental health facilities, long-term care homes or correctional centres. The Correctional Centre component will be designed specifically for inmates with mental health issues and will be operated as a modern, therapeutic environment in the future. The Project will include the design and construction of a combined mental health and correctional complex consisting of a 188 bed mental health hospital, a 96 cell correctional centre and supporting building infrastructure.

B. Appointment of Fairness Advisor

The role of Fairness Advisor is to provide oversight on the competitive selection process for a project to ensure that the procurement processes and procedures put in place for selecting a preferred proponent are transparent, fair and equitable. A Fairness Advisor also provides advice on any issues which may arise during the competitive selection process which may impact on the overall fairness of the process. Fairness Advisors are typically used in major public-private partnerships and, to a lesser extent but with increasing frequency, in other public sector procurement projects such as design-build where a standardized tendering process is not being utilized.

A review by a Fairness Advisor typically follows four general phases of a procurement process:

1. prior to closing of the procurement process;
2. after closing of the procurement process;
3. the procurement evaluation stage; and
4. post procurement evaluation.

As noted above, the role of the Fairness Advisor is not to validate the Evaluation Committee's recommendation to the Steering Committee of the selected Preferred Proponent, rather it is to provide oversight and assurances regarding the procurement process applied in making that recommendation.

C. Procurement Process for the Project

Following the RFQ stage, this next stage of the competitive selection process for the Project involved a Request for Proposals.

D. Request for Proposals

The RFP was issued on October 7, 2014. It had a closing date of April 7, 2015 for Technical Submissions and June 2, 2015 for the Financial Submissions (both as amended by Addendum).

All Proponents were required to agree to specific confidentiality provisions in order to participate in the RFP process. In my opinion, this was a reasonable and fair requirement.

The Authority, through its Project team of representatives and advisors, held a series of Collaborative Meetings with each of the Proponent teams: to discuss details of the Project; to provide greater clarification and information regarding the RFP to the Proponents; and, to carefully consider the design solutions of each Proponent as measured against the requirements and specifications described in the RFP documents. The Fairness Advisor or his delegate attended these Collaborative Meetings which ran from November 2014 through February 2015.

An Evaluation Committee as well as certain Evaluation Teams (which were subcommittees for topic specific reviews) were established by the Authority in advance of the closing date for Technical Submissions. The Evaluation Teams were appointed to assist the Evaluation Committee in detailed assessment of the Technical and Financial Submissions, however, the ultimate responsibility for evaluating and scoring rested with the Evaluation Committee after a careful and comprehensive review. It was the responsibility of the Evaluation Committee to not only evaluate and score the Proposals, but to recommend a Preferred Proponent to the Steering Committee.

All members of the Evaluation Committee and the Evaluation Teams as well as advisors were required to complete and execute a Relationship Disclosure declaration and a Confidentiality Agreement in advance of being given access to any information or any of the Submissions received in response to the RFP. An internal review process was established to identify potential conflicts or similar issues after submission of the relationship review documentation from each of the evaluators and advisors. There were no conflicts identified which prevented any person from participating in the evaluation or review of the RFP submissions.

An Evaluation Manual was developed for use by the Evaluation Teams and the Evaluation Committee in advance of the closing date for the Technical Submissions. Orientation based on that Evaluation Manual, including a full description and review of evaluation and scoring, was provided to all members of the Evaluation Committee and the Evaluation Teams and advisors prior to commencement of evaluation. The evaluators were apprised of the appointment of a Fairness Advisor. A Due Diligence advisor was appointed to provide an objective review of the process.

During the Collaborative Meetings and prior to closing of the Technical Submissions there were a few minor matters for which I was consulted or my advice was sought by the Project Director,

the Project Team and the Evaluation Committee. All of the issues raised were addressed to my satisfaction. No Proponent contacted me with any fairness issue.

Three Technical Submissions were received at the submission location on or before the closing time deadline. No late submissions were received. Each of the Technical Submissions was subjected to a high level completeness review. No significant deficiencies were noted.

The Evaluation Teams met over the course of several weeks to review the Technical Submissions. The Fairness Advisor was apprised of all meetings. Several specific questions were issued to each of the Proponents to clarify their submission. The terms of the RFP permitted the Authority to ask such clarification questions.

The Evaluation Committee met on multiple occasions from late April through May, 2015 to evaluate the Technical Submissions. The scored elements aspect of the technical evaluation was done by the Evaluation Committee in advance of the closing for Financial Submissions.

I (or my delegate) attended, by telephone conference or in person, selected meetings of the Evaluation Teams including scoring and consensus meetings. In summary, it is my opinion that the Evaluation Teams reached consensus on their evaluations based on a careful and thorough review of the submissions based on the evaluation criteria in the RFP. They properly reported their findings to the Evaluation Committee. Subsequently, I attended meetings of the Evaluation Committee and observed that its decisions and scoring were consensus-based after: lengthy discussions about the merits of each submission; full consideration of its content, the responses of the Proponent to clarification questions; and, detailed comments and analysis offered by the Evaluation Teams. The members of the Evaluation Committee clearly understood that it had the ultimate responsibility for evaluation and scoring of the submissions. The Evaluation Committee applied the pre-determined scoring methodology set out in the RFP. The Due Diligence advisor, who was involved in an oversight role, was satisfied with the overall evaluation process for the Technical Submissions.

The Evaluation Committee, after full consideration of the Technical Submissions, determined that all three Proponents should be invited (in accordance with the terms of the RFP) to provide Financial Submissions. Financial Submissions were received June 2, 2015. There were no late submissions and no significant completeness issues. The Financial Evaluation Team then conducted a detailed review and assessment of each of the Financial Submissions based on the evaluation criteria in the RFP. The Financial Evaluation Team reached consensus that all Proponents had substantially met the requirements described in the RFP in their Financial Submissions and they were then evaluated in accordance with the stipulated RFP ranking process. The Financial Evaluation Team then reported its findings to the Evaluation Committee.

On the basis of the careful and detailed evaluation of the Technical Submission and the Financial Submission for each Proponent based upon the RFP evaluation criteria, the Evaluation Committee ranked the Proposals according to the process outlined in the RFP in order to arrive at a consensus recommendation of a Preferred Proponent.

The Evaluation Committee's report and recommendation to the Steering Committee reflected the decisions and scoring I observed during the RFP evaluation process. By my observation, the procurement process followed was in full accordance with the terms of the RFP and appeared to be fair, transparent and unbiased.

RECOMMENDATIONS TO IMPROVE THE PROCESS FOR FUTURE PROCUREMENTS

No recommendations to improve the competitive selection process are proposed.

ANY QUALIFICATIONS ON THE ENDORSEMENT OF THE PROCESS

My fairness review has been based on: my own review of selected documentation and records; my discussions with the Evaluation Teams and Evaluation Committee; my attendance (or that of my delegate) at Collaborative Meetings and meetings of the Evaluation Teams and the Evaluation Committee; answers to questions posed by me; and, my observations of meetings I attended. I have reviewed a sampling of Project related documentation, but not all documents created by each and every Project staff member and advisor.

FINDINGS

In summary, the Evaluation Committee selected and recommended a Preferred Proponent in accordance with the procurement process and evaluation criteria set out in the RFP. The Evaluation Teams and Evaluation Committee acted in a professional and impartial manner while conducting a comprehensive review of each of the Proposals. The Evaluation Committee's report to the Steering Committee reflected the decisions, scoring and consensus that I observed during the RFP evaluation process. By my observation, the procurement process followed was in accordance with the terms of the RFP and appeared to be fair, transparent and unbiased.

Accordingly, it is my opinion that the RFP procurement process has been conducted in a fair and impartial manner in accordance with the processes and procedures established for the Request for Proposals stage of the competitive selection process for the Project.

I am satisfied that:

1. the members of the Evaluation Teams and the Evaluation Committee and their advisors followed the established procedures and fairly applied the evaluation criteria specified in the procurement documents; and,
2. where judgment and interpretation were allowed or required, the members exercised reasonable judgment and made interpretations in a fair and impartial manner.

I am satisfied that I have been provided with the appropriate access and information to render this fairness opinion to the Steering Committee.

FULFILLMENT OF REVIEW TERMS

I confirm that I have fulfilled the terms of my engagement based on the activities described to you above.

Respectfully submitted,



Owen D. Pawson,
Fairness Advisor

Dated at Vancouver, B.C. this 22nd day of June, 2015

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