



Metro

Los Angeles County
Metropolitan Transportation Authority

One Gateway Plaza
Los Angeles, CA 90012-2952

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**OPERATIONS COMMITTEE
JUNE 18, 2009**

SUBJECT: COMPRESSED NATURAL GAS (CNG) FUEL

ACTION: AWARD CONTRACT FOR CNG FUEL FOR DIVISION 6

RECOMMENDATION

A. The Board finds that there is only a single source of procurement for compressed natural gas (CNG) fuel within a 2 mile radius of Division 6 and purchase is for the sole purpose of replacing the CNG fuel already in use. The Board hereby authorizes the purchase of CNG fuel pursuant to Public Utilities Code section 130237.

Requires Two-Thirds Vote

B. Authorize the Chief Executive Officer to:

- 1) Award a 60-month, firm fixed price contract to Clean Energy Fuels Corp., for the procurement of CNG fuel for an amount not to exceed \$8,640,000; and
- 2) Execute future contract modifications in an amount not to exceed \$1,360,000 to offset anticipated increases in natural gas prices.

ISSUE

Division 6 in Venice has begun operating CNG buses since February 2009. However, there is currently no infrastructure to fuel the buses because a CNG fueling facility was not allowed to be built at the location. For this reason, we intend to fuel the buses at a public fueling facility operated by Clean Energy Fuels Corp. which is located at 1701 Stewart Street in Santa Monica. This facility is the only CNG public fueling facility that is convenient since it is located within two miles from Division 6. The next closest public fueling facility is also operated by Clean Energy Fuels Corp. and is four miles away and located at LAX.

POLICY IMPLICATIONS

There are no policy implications. It is in our best interest to purchase the CNG fuel in order to prevent an interruption in service. This CNG fuel procurement does not represent 100%

conversion of the fleet at Division 6 to CNG. Division 6 will continue to operate 14 Diesel and two Gasoline Hybrids for an indeterminate period of time.

OPTIONS

The alternative is not to award this fuel price agreement contract and procure the CNG fuel at the price the regular public customer pays. This strategy is not recommended since it does not provide for commitment from the supplier to ensure availability, continued supply and a guaranteed preferential price for the CNG fuel.

FINANCIAL IMPACT

The funding of \$1,731,406 for this CNG fuel procurement is included in the FY10 budget in cost center 3706, Maintenance Division 6, under project 305008, Bus Maintenance – West Side/Central and line item 50402, Fuel CNG-Revenue Equipment. Since this is a multi-year contract, the cost center manager and Chief Operations Officer will be accountable for budgeting the cost in future fiscal years.

In FY08, there was no expenditure for CNG fuel at Division 6.

Impact to Enterprise Fund Bus and Rail Operating Budget

The entire 60-month fueling contract to provide CNG fuel for Division 6 will be charged to the Enterprise Fund. The CNG FY10 fueling budget has been approved for \$1,731,406 in cost center 3706. This is a direct cost to Division 6 FY10 approved operating budget since Bus Operation is a core business function of the Agency.

BACKGROUND

Effective June 28, 2009, Division 6 will operate a total of 66 buses. The make-up of the fleet will be 50 CNG, 14 Diesel and two Gasoline Hybrid buses. All of the Agency's Divisions that are operating a CNG fleet have fueling capabilities on site. Division 6 does not have this capability. Therefore, it is necessary to procure fuel from an outside source. The cost for this fuel from Clean Energy Fuels Corp. is determined to be competitively priced when compared to the capital investment and on-going maintenance if we were to construct our own fueling facility. The estimated capital investment to retrofit Division 6 with its own fueling facility would cost approximately \$13.0 to \$16.0 million. The estimate is inclusive of capital equipment and a natural gas line that would require several miles of installation. Also, the annual operating cost is estimated at \$200,000 per year. These costs are exclusive of the annual procurement of natural gas. In addition, the installation of a fueling facility at Division 6 would negatively impact the number of buses that could operate from the division because of space limitations, and neighborhood complaints would most likely increase.

NEXT STEPS

Fueling of Division 6 CNG bus fleet will continue at Clean Energy's 1701 Stewart Street, Santa Monica facility at the preferential fuel price.

ATTACHMENTS

- A Procurement Summary
- A-1 Procurement History
- A-2 List of Subcontractors

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Carolyn Flowers

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Chief Operations Officer

Arthur T. Leahy

Arthur T. Leahy
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

COMPRESSED NATURAL GAS (CNG) FUEL

1.	Contract Number: 09-0032		
2.	Recommended Vendor: Clean Energy Fuels Corp.		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: N/A	Recommended Price: N/A	
	B. Details of Significant Variances: N/A		
4.	Contract Type: Firm Fixed Price		
5.	Procurement Dates:		
	A. Issued: N/A		
	B. Advertised: N/A		
	C. Pre-bid Conference: N/A		
	D. Bids Due: N/A		
	E. Pre-Qualification Completed: N/A		
	F. Conflict of Interest Form Submitted to Ethics: Yes		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: No Goal Recommended	Date Small Business Evaluation Completed: N/A	
	B. Small Business Commitment: N/A – No goal recommended		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: N/A	Bids/Proposals Picked up: N/A	Bids/Proposals Received: N/A
8.	Evaluation Information:		
	A. <u>Bidders/Proposers Names:</u> Clean Energy Fuels Corp.	<u>Bid/Proposal Amount:</u>	<u>Best and Final Offer Amount:</u> N/A
	C. Evaluation Methodology: Sole Source Procurement. Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: N/A		
	B. Protest Receipt Date: N/A		
	C. Disposition of Protest Date: N/A		
10.	Contract Administrator: Otto Ojong	Telephone Number: 213-922-1454	
11.	Project Manager: Hector Rojas	Telephone Number: 323-255-4131	

**BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY**

COMPRESSED NATURAL GAS (CNG) FUEL

A. Background on Contractor

Clean Energy Fuels Corp. (CE) is based in Seal Beach, California, and has been in business since 2001. CE is the leading provider of natural gas (CNG and LNG) for transportation in North America. It has a broad customer base in the refuse, transit, ports, shuttle, taxi, trucking, airport and municipal fleet markets, fueling more than 14,000 vehicles daily at over 170 strategic locations across the United States and Canada. CE owns and operates two LNG production plants, one in Willis, TX and one in Boron, CA, with combined capacity of 260,000 LNG gallons per day. CE has provided natural gas (CNG and LNG) fuel to other local government agencies including Orange County Sanitation District, City of Los Angeles, Foothill Transit, County of Los Angeles and Santa Monica Big Blue Bus. In the past, CE has provided satisfactory service to us.

B. Procurement Background

Procurement staff performed an analysis in accordance with our Procurement Policy Manual covering a non-competitive procurement. Staff determined that pursuant to Section 11.5 B.2, Procurement Policy Manual, it is in our best interest to meet this requirement through procurement of the specific supplies, and that the proposed contractor is the only source for the specific supply.

The Diversity & Economic Opportunity Department (DEOD) did not recommend a DALP goal for this procurement. Based on industry practice, the Prime (Clean Energy Fuels Corp.) is expected to complete the entire scope with its own workforce. However, pursuant to the DBE Program, if Clean Energy Fuels Corp. utilizes the services of subcontractors, they are encouraged to afford maximum opportunities to DBE firms in available subcontracting and supply services areas throughout the life of the contract.

C. Evaluation of Proposals

The proposal submitted by Clean Energy Fuels Corp. was found to be responsive in accordance to our Procurement Policy Manual.

D. Cost/Price Analysis

The recommended price has been determined to be fair and reasonable based upon a price analysis conducted by staff. A price analysis rather than a cost analysis is acceptable since the natural gas purchased under this contract is a product commercially available to the general public. The price analysis compared the

preferential pricing offered by Clean Energy (CE) to Metro to other published prices at other public CNG fueling facilities including other CEs in the Southern California region.

CE will provide Metro with a preferential CNG price per gasoline gallon equivalent (GGE), equal to the sum of (a) the Southern California Gas Company (SoCalGas) G-NGU Uncompressed Tariff Price (the "Index Price") and (b) \$1.2014 per GGE (the "Compressed Fee), plus applicable taxes.

The compression fee will be adjusted annually beginning January 1st, 2010 by the change in the United States Bureau of Labor Statistics Consumer Price Index All Items, for All Urban Consumers, Los Angeles-Anaheim-Riverside, California (1982-84 = 100).

The Index Price is established on a monthly basis by SoCalGas.

**BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS**

COMPRESSED NATURAL GAS (CNG) FUEL

PRIME CONTRACTOR

Clean Energy Fuels

Small Business Commitment

0%

Other Subcontractors

None

Total Commitment: 0%