

REGIONAL TRANSIT ISSUE PAPER

Agenda Item No.	Board Meeting Date	Open/Closed Session	Information/Action Item	Issue Date
2	01/24/11	Open	Action	01/12/11

Subject: Authorizing the General Manager/CEO to Contract with the State of California to Purchase Compressed Natural Gas Through the Natural Gas Services Program

ISSUE

Whether or not to authorize the General Manager/CEO to Contract with the State of California to Purchase Compressed Natural Gas through the Natural Gas Services Program.

RECOMMENDED ACTION

Adopt Resolution No. 11-01-____, Authorizing the General Manager/CEO to Contract with the State of California to Purchase Compressed Natural Gas through the Natural Gas Services Program

FISCAL IMPACT

Budgeted:	Yes	This FY:	\$	1,973,564
Budget Source:	Local	Next FY:	\$	2,293,483 est.
Funding Source:	Operating	Annualized:	\$	2,293,483 est.
Cost Cntr/GL Acct(s) or Capital Project #:	CC 34 GL 640004 (CNG)	Total Amount:	\$	11,467,415 est.
Total Budget:	\$ 11,467,415 est.			

DISCUSSION

The Natural Gas Services (NGS) Program, within the California Department of General Services (DGS), procures natural gas on behalf of California State Government agencies, including the University of California, California State University, and California Community College systems, and counties, cities, and special districts throughout the state. The program was established about 30 years ago to consolidate public agencies' non-core natural gas requirements into a single, large purchasing pool.

On January 23, 2006, under Resolution No. 06-01-0022, the Board authorized RT to enter into an Interagency Agreement with the California Department of General Services to purchase its natural gas. RT currently has 200 CNG buses in its fleet and the cost for Compressed Natural Gas (CNG) to fuel these buses make up a large portion of RT's monthly fuel expenses. Pooled purchasing through this program provides several significant benefits to RT. Since joining the program, RT has reduced its costs for natural gas purchases due to leveraging of the program's consolidated buying power and reduced price volatility resulting from the ability to maintain a laddered portfolio of forward purchase commitments.

Approved:

Presented:

FINAL 1/18/11

General Manager/CEO

Director, Bus Maintenance

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The term of the current agreement expires on June 30, 2011, which is the multi-year option that has a fixed five-year ending date.

Annually staff has performed informal surveys of natural gas pricing in the region to compare purchasing natural gas from other sources. The DGS pricing has been less volatile and lower priced than the options evaluated. As an example, spot pricing on January 11 was \$1.17 per therm transported to our site. Our November pricing was \$.533 per therm at the burn tip. Burn tip is a term that includes delivery, losses and costs to provide the gas at our compressor.

If at some point the analysis determines that the DGS pricing is no longer providing the district stable pricing via their model of purchasing futures and negotiating preferred pricing, the board has the option of terminating the agreement by providing notice to DGS. Effective with the notice, the contract would convert to a 5 year term contract. This is the form of contract the district currently has with DGS.

Due to the stability of the pricing and cost saving benefits, staff recommends that the Board authorize RT to continue participating in the program by electing the Long-Term Evergreen option. Under this option, the term expires on June 30, 2016, but will continue for the longer of (i) the term of any Special Purchase Attachment or Amendment made a part of the agreement or (ii) at the end of the fiscal year five years after written notice of termination is delivered on or before February 15th of any year by either party. Absent notice of termination by February 15th of any year, the Long-Term Evergreen option would automatically renew annually to maintain a five year term unless sooner terminated.

Staff plans to do annual briefings and updates periodically based on changes in the market conditions through the Executive Summary.

RESOLUTION NO. 11-01-_____

Adopted by the Board of Directors of the Sacramento Regional Transit District on this date:

January 24, 2011

**AUTHORIZING THE GENERAL MANAGER/CEO TO CONTRACT WITH THE
STATE OF CALIFORNIA TO PURCHASE COMPRESSED NATURAL GAS
THROUGH THE NATURAL GAS SERVICES PROGRAM**

BE IT HEREBY RESOLVED BY THE BOARD OF DIRECTORS OF THE
SACRAMENTO REGIONAL TRANSIT DISTRICT AS FOLLOWS:

THAT, the Evergreen Agreement between the State of California, acting through the Department of General Services, therein referred to as "DGS," and Sacramento Regional Transit District, therein referred to as "Participant," whereby Participant agrees to purchase its natural gas from DGS and DGS agrees to supply Participants natural gas from July 1, 2011 through June 30, 2016, but that will automatically continue annually to maintain a five year term unless sooner terminated by written notice on or before February 15th of any year, is hereby approved.

THAT, the General Manager/CEO is hereby authorized and directed to execute said Agreement.

DON NOTTOLI, Chair

A T T E S T:

MICHAEL R. WILEY, Secretary

By: _____
Cindy Brooks, Assistant Secretary