



STAFF REPORT

DATE: June 14, 2021

TO: Sacramento Regional Transit Board of Directors

FROM: Carmen Alba, VP, Bus Operations

SUBJ: APPROVING A SOLE SOURCE PROCUREMENT AND ACCEPTING ASSIGNMENT FROM ELK GROVE OF THE AMENDED AND RESTATED COMPRESSED NATURAL GAS VEHICLE CNG SALES AGREEMENT WITH CLEAN ENERGY

RECOMMENDATION

Adopt the Attached Resolution.

RESULT OF RECOMMENDED ACTION

Approving the recommended action would allow SacRT to obtain conveniently located, favorably-priced compressed natural gas (CNG) for the buses to be used to provide transit service within the City of Elk Grove subsequent to the City's annexation to SacRT, which will continued to be stored and maintained in the City of Elk Grove corporation yard.

FISCAL IMPACT

The FY22 Operating Budget includes an allocation for approximately \$947,000 for CNG fuel to operate the Elk Grove service, both fixed route and demand response. It is likely that SacRT will realize savings in the fueling cost because a portion of the budget was based on the existing contract with Clean Energy to fuel the e-van cutaway vehicles, as required by the Fixed Route, ADA Paratransit/Dial-A-Ride, and Maintenance Operations agreement between SacRT and the City. Staff estimates the total value of this agreement to be \$5M spread across the 5 years through FY26 with minor escalations in each year. These amounts will be included in each year's operating budget.

DISCUSSION

The City of Elk Grove currently has a sales agreement ("Agreement") in place to purchase compressed natural gas (CNG) at Clean Energy's fuel station located at 9050 Elkmont Way, Elk Grove, CA 95624. The Agreement was originally entered into in 2010 on a sole-source basis and was amended and restated as of December 2, 2016. The pricing under the Agreement includes a "Monthly Station Availability Fee" of \$29,500, as well as a minimum amount of natural gas converted to gasoline gallon equivalent (GGE) of 20,000 gallons. Under the service agreement with the City of Elk Grove, the City assumed responsibility for the cost of fuel for the full-size CNG buses. Responsibility for fueling those vehicles will shift to SacRT after annexation.

This Clean Energy fuel station is located 0.4 mile from the City Corporation yard. In December 2019 (Resolution No. 19-12-0131), the Board ratified a contract with Clean Energy to fuel the cutaway vehicles at the Elk Grove location with a small discounted price for fuel. That was done on a sole source basis because the service agreement with the City required that fueling be done in the City of Elk Grove. With the annexation of the City of Elk Grove to SacRT, SacRT is no longer contractually required to fuel within the City.

However, after examining the other alternatives, it would be difficult if not impossible to use an alternative fueling location, which would entail substantial additional costs to SacRT in terms of vehicle wear and tear and staff time, even if the fuel costs were nominally lower.

SacRT's Bus Maintenance Facility 1 (BMF1) is 16 miles from the City Corporation yard. There are two other CNG fueling stations, one located at the current Paratransit Inc. site 13 miles away and the other at the PG&E site 12 miles away, at 5555 Florin Perkins Road, Sacramento. Neither site is open to the public, so they would require an agreement to use for fueling and may not be able to accommodate full-size buses. The Paratransit Inc. site is also a Clean Energy fuel station.

The current time to fuel a bus using the Clean Energy station is approximately 30 minutes, including travel time. Under ideal conditions, driving round trip to BMF1 is approximately 42 minutes, to Paratransit is approximately 42 minutes, and to PG&E is approximately 54 minutes. These travel times do not take into consideration traffic congestion and the time it takes to fuel the bus.

For these reasons, Staff believes a sole source procurement with Clean Energy is the only available option to procure the required CNG fuel. Use of the existing agreement between SacRT and Clean Energy would not provide favorable pricing.

By contrast, the cost of fuel under the Agreement between the City and Clean Energy, even after accounting for the fixed Monthly Station Availability amount, is significantly less per Gasoline Gallon Equivalent (GGE) than the discounted price SacRT receives through the 2019 contract with Clean Energy. The City price, including the Monthly Station Availability payment for the first 20,000 GGE is \$2.6693 (March 2021). All CNG over this volume is priced at \$2.52406 per GGE. SacRT currently pays \$3.20130 per GGE to fuel the cutaways. The current retail price for CNG at the fuel station is \$3.699 per GGE. The assignment would allow SacRT to terminate the existing Clean Energy agreement and obtain more favorable pricing for the cutaway fuel as well.

The City has indicated a willingness to assign the Agreement to SacRT and Clean Energy has agreed to accept SacRT as an assignee. The base term of the Agreement is for 10 years, until December 1, 2026. The Agreement will automatically extend, with no further Board action, thereafter for up to 5 additional 5-year periods unless SacRT gives notice at least six months in advance of the end of the then-current term. There is no right to terminate the Agreement for convenience in the middle of a term. Therefore, SacRT may be obligated to continue making the Monthly Station Availability Fee even if CNG fueling is not needed or the minimum quantity is not met. Because of the favorable pricing, the near-term plan to continue CNG buses for the Elk Grove service, the near-

term plan to continue use of the corporation yard for storage and maintenance of the buses, and the lack of plans for any new CNG facilities in the Elk Grove area, continuing the Agreement until the expiration of the base term should not be problematic. In the future, Staff will need to assess the alignment of the extended terms with fleet storage and replacement plans and evaluate other fueling options to determine an appropriate time to give notice of intent to terminate.

RESOLUTION NO. 21-06-0075

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

June 14, 2021

APPROVING A SOLE SOURCE PROCUREMENT AND ACCEPTING ASSIGNMENT FROM ELK GROVE OF THE AMENDED AND RESTATED COMPRESSED NATURAL GAS VEHICLE CNG SALES AGREEMENT WITH CLEAN ENERGY

WHEREAS, pursuant to Public Utilities Code Section 102222 and the SacRT Procurement Ordinance (18-08-01), procurements of supplies over \$100,000 must be awarded after competitive bidding, unless it is determined that seeking competition would be futile and not further the purpose of competitive bidding (protecting the public from misuse of public funds, providing all qualified bidders with a fair opportunity to enter the bidding process, and eliminating favoritism, fraud, and corruption in the awarding of public contracts);

WHEREAS, the City of Elk Grove has a sales agreement in place with Clean Energy for purchase of CNG fuel from Clean Energy's fueling station located at 9050 Elkmont Way, Elk Grove, CA 95624 located .4 miles from the City of Elk Grove corporation yard, where SacRT maintains a license to store and maintain buses used in transit service in the City of Elk Grove;

WHEREAS, fueling buses stored, maintained, and used in the City of Elk Grove at any other CNG fueling location would be extremely costly and time-consuming; and

WHEREAS, the City of Elk Grove sales agreement provides favorable pricing for use of the Clean Energy fueling station; and

WHEREAS, the City of Elk Grove has agreed to assign its interest in the CNG sales agreement to SacRT and Clean Energy has consented to the assignment.

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

THAT, a sole source procurement of CNG fuel from Clean Energy at its facility in the City of Elk Grove is hereby approved; and

THAT, the Assignment and Release Agreement assigning the rights and obligations of the City of Elk Grove under the Amended and Restated Compressed Natural Gas Vehicle CNG Sales Agreement with Clean Energy to SacRT is hereby approved.

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

STEVE MILLER , Chair

A T T E S T:

HENRY LI, Secretary

By: _____
Tabetha Smith, Assistant Secretary