

Council Meeting of  
September 11, 2012

Honorable Mayor and Members  
of the City Council  
City Hall  
Torrance, California

**Members of the Council:**

**SUBJECT: General Services, Transit and Public Works – Authorize agreement to furnish Compressed Natural Gas (CNG) for alternative fuel vehicles, and payment for accrued expenditures. Expenditure: \$1,197,363.73.**

**RECOMMENDATION**

Recommendation of the General Services, Transit and Public Works Directors that City Council authorize a sole-source purchasing agreement with Clean Energy Fuels Corporation of Seal Beach, CA in an amount not to exceed \$1,088,784.41 to furnish compressed natural gas (CNG) on an as needed basis for a period of ten (10) months beginning September 1, 2012 to June 30, 2013.

In addition, staff requests Council authorize payment of expenditures accrued during the transition to the on-site fueling station located at the City Services Facility in the amount of \$ 108,579.32.

Funding

Funding is available in the Public Works and Transit FY 2012-2013 Operating Budgets.

**BACKGROUND/ ANALYSIS**

The City's fleet is experiencing a significant increase in CNG heavy-duty vehicles, which is an alternative fuel approved under the clean air fleet rules established by the South Coast Air Quality Management District.

The City's current and projected CNG fleet is shown in the following table:

	Current	Additions by March 2013	Total
Refuse Collection Trucks	7	1	8
Street Sweepers	1	0	1
Wastewater Sewer Cleaning Trucks	0	2	2
Buses	20	9	29
Totals	28	12	40

To aid in both the City's and public's access to CNG fuel, the City entered into an agreement with Clean Energy Fuels Corporation in December 2009 for installation of an on-site CNG fueling station located adjacent to the City Yard, serving both City and public (third party) vehicles. The station was completed by the end of 2011, and has become extremely beneficial to the City with the rapid expansion of CNG fleet vehicles.

The opening of the station resulted in an immediate fuel cost savings, eliminating the previous 10 mile round trip to Carson (the closest CNG fueling station) to refuel the City's heavy-duty CNG fleet. The agreement with Clean Energy provides a price per Gasoline Gallon Equivalent (GGE) for the City determined by the following formula:

$$\begin{aligned}
 & \text{Monthly Southern California Gas Company's Delivered Cost of Gas (G-NGU tariff) per} \\
 & \text{the Gasoline Gallon Equivalent (GGE)} \\
 & + \text{Compression Charge per GGE} \\
 & + \text{Applicable excise, sales, and/or use taxes per GGE} \\
 & = \text{CNG Price per GGE charged to the City}
 \end{aligned}$$

With the City fleet increasing from our current 28 CNG vehicles in operation to the anticipated total of 40 CNG heavy-duty vehicles in the coming months, departments have been transitioning to the new program of fueling at the on-site City Yard facility. Expenditures in the amount of \$108,579.32 have been accrued during the transition through August 2012, which includes \$11,097.54 for Public Works and \$97,481.78 for Transit.

At the onset of fueling at the City Yard, Public Works purchased CNG fuel under two previous purchase orders. In August 2012, staff took steps to prepare a Citywide contract for CNG purchases. During this process, overages in the purchase of CNG became apparent for both Public Works and Transit, which were exacerbated by late billings from Clean Energy.

The majority of the overages occurred through the use of fuel cards provided directly by Clean Energy to the Transit Department at the start of their CNG fuel training. The fuel cards were not tied to any purchase order, and purchases totaling \$97,481.78 were brought forward by Transit during preparation of the combined City CNG contract. Concurrently, Public Works purchases of CNG fuel from Clean Energy exceeded prior approved purchase orders by \$11,097.54. Therefore, staff requests Council authorize CNG purchases in the amount of \$108,579.32 to cover costs accrued during the transition to a City wide contract.

Based on actual usage during this transition period and anticipated delivery dates for new vehicles, the projected Gasoline Gallon Equivalents (GGE) required for the remaining fiscal year is as follows:

Department	Total projected GGE (10 months)	Estimated cost per GGE	Total projected cost
Public Works	32,238	\$2.03	\$65,443.14
Transit	504,109	\$2.03	\$1,023,341.27
		Total	\$1,088,784.41

Staff therefore recommends that City Council authorize a sole-source purchasing agreement with Clean Energy fuels Corporation of Seal Beach, CA in an amount not to exceed \$ 1,088,784.41 to furnish compressed natural gas (CNG) on an as needed basis for a period of ten (10) months from September 1, 2012 to June 30, 2013. In addition, staff requests Council authorize payment of expenditures accrued during the transition to the on-site fueling station located at the City Services Facility in the amount of \$ 108,579.32.

SECTION 22.3.17 of the City's Municipal Code; EXCEPTION; SOLE-SOURCE PURCHASES states:

a) The provisions of this Article will not apply to purchases of sole-source services or property, which purchases will be made in accordance with such procedures and regulations as will be established by the City Manager.

b) For purposes of this Section, "sole-source purchases" means those purchases where it would be undesirable or impossible for the City to advertise for bids for particular work or for patented items, or experimental or unique services or products, or where competitive purchases would be unavailable or would not prove advantageous for the City. No sole-source purchases may be made where to do so would show favoritism, improvidence, extravagance, fraud or corruption, or result in the waste of public funds, but may be used only to obtain the best economic result for the public."

The CNG fueling station operated by Clean Energy Fuels Corporation Inc. is located adjacent to the City of Torrance Services Yard at 20500 Madrona Ave. Fueling at this location saves the CNG equivalent of approximately 1 gallon of diesel fuel for each refueling by eliminating the 10 mile round trip to travel to the next closest available fueling site. The City has reviewed pricing for CNG available at the 20500 Madrona Ave location and found it comparable to area CNG fueling sites located outside the City. There are no other available CNG fueling sites located within the boundaries of the City of Torrance.

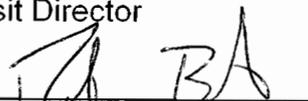
Respectfully submitted,

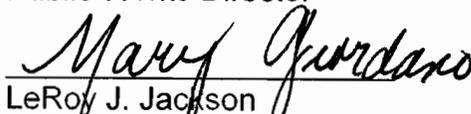
SHERYL BALLEW

  
General Services Director

CONCUR:

  
Kim Turner  
Transit Director

  
Rob Beste  
Public Works Director

  
LeRoy J. Jackson  
City Manager

**City Manager's Note:** The City Manager notes that fuel consumption communication between departments was disjointed during the transition period to on site CNG fueling. The recommended purchase agreement for all CNG purchases will provide tracking of usage by department, billing and payment under one agreement.