



ADMINISTRATIVE REPORT

Report Date: October 1, 2014
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VanRIMS No.: 08-2000-20
Meeting Date: October 15, 2014

TO: Standing Committee on City Finance and Services

FROM: General Manager of Engineering, General Manager of Financial Services,
and Chief Purchasing Official

SUBJECT: Contract Award to Design, Build, Operate and Maintain CNG Fuel Station
and CNG Fuel Supply

RECOMMENDATION

- A. THAT Council authorize City staff to negotiate and, subject to the satisfaction of the City's General Manager of Engineering Services, Chief Purchasing Official, General Manager of Finance and Director of Legal Services, enter into a contract with FortisBC Energy Inc. to design, build, own, operate and maintain a Compressed Natural Gas (CNG) fuel station at the Manitoba Works Yard and to supply CNG fuel, for a maximum term up to 20 years at an estimated cost of \$3.2 million, including applicable taxes (but excluding termination costs) based on an initial 10 year term with funding to be provided from approved, applicable, fuel expense in the operating budget;
- B. THAT the Director of Legal Services be authorized to execute on behalf of the City the contract contemplated by Recommendation A;
- C. THAT, no legal rights or obligations will be created by Council's adoption of Recommendations A and B above unless and until such legal documents are executed and delivered by the Director of Legal Services.

REPORT SUMMARY

The City issued a Request for Expressions of Interest PS20140371 (the "RFEOI") in June 2014 for the CNG Fuel Facility and/or Fuel Supply. The RFEOI was advertised on the City of Vancouver website and BC Bid. The City staff on the RFEOI evaluation committee and, subsequently, the Bid Committee has considered the responses received and, on that basis,

recommend that the City negotiate and, if such negotiations are successful, enter into a contract as described above with FortisBC Energy Inc.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The City's Procurement Policy requires that contracts with values over \$2 million must be approved by Council following review and recommendation by the Bid Committee. The Bid Committee has considered and approved FortisBC Energy Inc. (FEI) as the successful respondent.

REPORT

Background/Context

As outlined in RTS 10510 (dated April 2014), in pursuit of the City of Vancouver's corporate goal to reduce fleet emissions by 30% (below 2007 levels), Council approved the replacement of 29 diesel powered Side Loading Refuse Trucks with units powered by CNG. These vehicles are scheduled for delivery in 2015.

CNG is the preferred fuel technology for large North American private refuse fleets. Locally, Waste Management, BFI Canada Inc., Progressive Waste Solutions (haulers for the City of Surrey) and Smithrite have all converted portions of their refuse fleets to CNG.

Further to the initial acquisition of a total of 33 CNG fleet vehicles in 2015, by 2017 City staff plan to have 75 CNG fleet vehicles (total) in service. These CNG vehicles will result in the following benefits:

- Savings due to reduced fuel costs of CNG versus B5 Biodiesel
- A reduction of total City fleet CO₂e emissions by 4.6% (CNG produces 30% less emissions than B5 biodiesel)
- Equipment purchased utilizes local technology (Westport CNG engines)
- A partnership with Fortis BC who has provided \$1,200,000 in incentives to offset additional cost for the CNG configuration of the first 33 CNG vehicles

This contract will give the City the ability to fuel its CNG vehicles and begin to obtain these benefits in early-to-mid 2015.

Strategic Analysis

On June 6, 2014 the City issued a Request for Expressions of Interest (RFEOI) for the supply and delivery of Compressed Natural Gas (CNG) fuel for City of Vancouver fleet vehicles in accordance with the City's Procurement Policy.

The City sought expressions of interest from vendors with expertise in the delivery of CNG fuel and/or fuelling facilities to provide long-term options to the City.

The RFEOI considered 5 fuel delivery scenarios:

- Off-Site Option, including mobile fuelling
- Private Operation on Site

- Design, Build, Operate, Maintain, and/or Finance, Supply on Site
- Fuel Supply only for a City of Vancouver owned and operated facility on-site
- Public-access facility on City-owned property within the 1.5km radius

The City received 2 viable responses to the RFEOI. The responses were evaluated through the joint effort of an evaluation team coordinated by Supply Chain Management to determine which of the responses offered the best overall value to the City. The evaluation team was comprised of representatives from Equipment Services, Real Estate and Facilities Management, Financial Services, Sanitation Operations and Supply Chain Management. In determining the response with the best overall value to the City, the evaluation team examined the responses based on many factors including, but not limited to:

- Financial capability;
- Capability to meet technical requirements and required timelines;
- Proven track record substantiated by recent and relevant client references;
- Qualifications and relevant experience of the respondent's key personnel and sub-contractors to be included in the project team;
- Experience with similar facilities or equipment;
- Innovative ideas relating to execution and deliverables.

As a result of the evaluation, the team concluded that the response from FortisBC Energy Inc. provided the best overall value to the City.

Implications/Related Issues/Risk (if applicable)

A. Financial Implications:

Engineering Services and Corporate Budgets have reviewed the financing for the work and concur that funding will be available from approved operating budgets.

The business case for converting to CNG technology is driven by the fuel savings of CNG over diesel. For example:

- the current price for diesel fuel is \$1.25/litre and CNG is \$0.31/liter (equivalent)
- the fuel costs for 75 vehicles over 10 years fueled with diesel would be \$10m whereas the fuel costs for vehicles fuelled with CNG would be \$2.3m, resulting in a projected savings of \$7.7m.

Fuel savings will fund the costs of the:

- incremental (over the costs of diesel fuelled vehicles) purchase price of 75 CNG vehicles (33 refuse vehicles on order, to date)
- fuelling facility construction
- fuelling facility operating & maintenance costs
- upgrades to maintenance and repair facilities to include specialized CNG requirements
- ancillary costs associated with the fuel station construction.

B. Environmental Implications

The CNG fuel station will allow approximately 800,000 litres of diesel fuel to be displaced per year, by 2016, by cleaner burning CNG. CNG provides for a 30% reduction in CO² and a 71% reduction in particulate matter over diesel fuel. This will equate to a 4.6% reduction in the total City fleet emissions per year. The station will also allow the City to utilize a fuel source produced within British Columbia and demonstrate the use of lower emission CNG fuel within the community.

CONCLUSION

In summary, City staff recommends that the City of Vancouver negotiate and, subject to on-going negotiations being finalized and all contract terms being settled, subsequently enter into a contract with FortisBC Energy Inc. to design, build, own, operate and maintain a Compressed Natural Gas (CNG) fuel station and to supply CNG fuel at the Manitoba Works Yard.

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