



ITEM #12

DATE: September 10, 2014

TO: Board of Directors

FROM: Marlena Kohler
Purchasing Manager/DBE Office

SUBJECT: CONSIDER AWARD OF CONTRACT TO GHI ENERGY FOR THE PURCHASE OF NATURAL GAS AND THIRD PARTY LCFS CONSULTING SERVICES

I. EXECUTIVE SUMMARY

A competitive bid process for the purchase of natural gas and third party Low Carbon Fuel Standard (LCFS) consulting services began with the issuance of Request for Proposal (RFP) 14-08 on May 21, 2014. The purpose of this RFP was to locate a qualified third-party energy service provider for the purchase of natural gas and Low Carbon Fuel Standard (LCFS) Credit consulting services. The RFP was initially for a one (1) year base period and four (4) one-year option periods. The RFP was posted on our website as well as the Public Purchase and Transit Talent websites. The two companies known to GCTD to provide this type of service were also notified.

Two (2) proposals were received, one from CleanEnergy and one from GHI Energy. Both proposals were evaluated and considered responsive. An evaluation team independently evaluated and scored each proposal. At the conclusion of the evaluation process, which included an opportunity for both bidders to revise rates and clarify alternative proposals, GHI Energy's alternate bid for a three (3) year base period and two (2) one-year option periods received the highest score overall, therefore their proposal is considered fair and reasonable based on adequate competition.

Based on GCTD's 2013 gas usage, as a result of purchasing our natural gas from GHI, GCTD anticipates realizing an estimated annual savings of \$23,158 on the cost of fuel. Based on GCTD's 2013 gas usage and 2013 credit values, the annual revenue GCTD would realize as a result of contracting with GHI, to manage and monetize the marketable emissions credits, would be approximately \$181,961.

It is therefore recommended the Board of Directors authorize award of a contract to GHI Energy for the purchase of natural gas and third party LCFS

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consulting services for a three year base period and two one-year option periods.

II. BACKGROUND

GCTD currently has 20 bus routes utilizing 54 buses. GCTD also operates Gold Coast Transit District ACCESS, a demand-response service for people with disabilities and seniors who reserve their rides ahead of time. All GCTD and GCTD ACCESS buses are alternative-fueled with compressed natural gas (CNG), as are virtually all of GCTD's service vehicles.

GCTD currently purchases its natural gas from the local public utility, Southern California Gas Company (SoCal Gas). GCTD's goal is to reduce its energy costs while maintaining the highest possible degree of reliability in its natural gas supply to ensure that buses can be fueled and operated every day of the year.

Staff began the competitive bid process on May 21, 2014 with the issuance of Request for Proposal 14-08 for Purchase of Natural Gas Requirements and Third Party Consulting Services for the Management of a Low Carbon Fuel Standard (LCFS) Credit Program created under California AB32. The LCFS program allows a fueling station owner (GCTD) to delegate its Regulated Party status, at whatever negotiated terms and compensation, to a third-party energy service provider who will supply natural gas to our fueling station. The third-party provider will supply renewable gas into the system at a location to be determined, and GCTD will continue to use gas from its current transmission lines. The third-party provider will create LCFS credits at the fueling station and compensate GCTD with cash payments equal to the value of the theoretical quantity of LCFS credits that would otherwise be created at the station from the fossil natural gas fuel already being consumed.

The purpose of the RFP was to contract with a third-party provider that specialized in the sale and delivery of natural gas to government agencies for use as transportation fuel and has the industry expertise to apply for, manage and subsequently monetize on GCTD's behalf, the marketable credits associated with its use.

The RFP was posted on our website as well as the Public Purchase and Transit Talent websites; also the two firms known to provide this type of service were also notified. Twenty-two (22) companies requested copies of our RFP.

The RFP required each firm to submit general background, company experience and technical expertise, references and work plan, which would demonstrate the company's understanding of GCTD's needs and requirements.

Two (2) proposals were received by June 11, 2014, one from CleanEnergy and one from GHI Energy. Both responses were evaluated and considered to be responsive. The regulations require selection of the "most highly qualified" firm without consideration of price. An evaluation committee consisting of three (3) GCTD employees; Steve Rosenberg, Director of Finance and Administration, Daniel Amaro, Administrative Analyst and Reed Caldwell, Facility Project Manager evaluated both submissions. Separately,

each committee member evaluated and scored the submissions using the evaluation criteria identified in the RFP and listed below in their relative order of importance:

- Work Plan
- Cost and Price
- Qualifications, Related Experience, and References
- Staffing and Project Organization
- Completeness of Response

The committee met following the completion of the evaluation to discuss overall scoring. As a result of the discussions, the committee decided follow-on questions from both companies were needed in order to gather additional information pertaining to work plans and how calculations were formulated and to inquire regarding the possible alternatives to the term of the proposed contract, before final scoring was possible.

As stated in the RFP, proposers may propose other credit or cost savings program available to GCTD but not otherwise stated in the RFP. GHI submitted an alternate pricing structure based on a five (5) year contract term, which would result in additional revenue to GCTD. CleanEnergy’s proposal was based on the initial term stated in the RFP of one base year with four (4) one-year options. GCTD concluded that it would be in the best interest of GCTD to inquire regarding the pricing impact of a revised contract term of a three (3) year base period with two (2) one-year options.

Both companies were given the opportunity to revise their rates taking into consideration the change in the term of the proposed contract. GHI submitted revised rates for consideration and CleanEnergy stated their pricing would remain the same for either term selected.

The following are the proposed rates from both companies:

Company	Commodity Savings	LCFS Value	Other	Other/RIN
CleanEnergy	various	100%	5% <i>(incremental LCFS Value)</i>	
GHI	2%	100%		1%
GHI <i>(alternate pricing)</i>	5%	100%		5%
GHI <i>(after discussions)</i>	4%	100%		5% <i>(years 1-3)</i> 6% <i>(years 4&5)</i>

CleanEnergy proposal included an “Other” credit based on an additional 5% of the incremental LCFS value, and GHI proposal included a marketable fuel credit under Federal Renewable Fuel Standards (RFS2), the U.S. Environmental Protection Agency (EPA) program which allows for users of renewable fuels to earn marketable fuel credits (Renewable Identification Numbers or RINs) based on their consumption of renewable fuel.

A price analysis was conducted using GCTD's 2013 fuel usage, 2013 credit values and the rates proposed by both companies. The results determined approximately a 16% difference between the value of GHI's proposal and Clean Energy's proposal, therefore GHI's rates are considered fair and reasonable based on adequate competition.

At the conclusion of discussions, which included questions and answers, the committee completed their scoring and the results are as follows:

Provider	Total	Standing
CleanEnergy	2292.0	2
GHI Energy	2760.0	1

Total possible points from all three evaluators: 3000. GHI Energy received the highest overall scores.

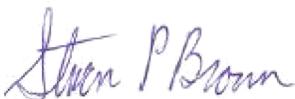
A responsibility determination was conducted on GHI. GCTD confirmed that GHI was not listed in the excluded parties' list system nor are there any complaints filed with the Better Business Bureau. References were contacted and provided no negative comments. As a result, GHI was determined to be a responsive, responsible bidder capable of meeting GCTD's requirements.

III. SUMMARY & RECOMMENDED ACTION

A Request for Proposal was issued and submissions were evaluated to determine the most highly qualified natural gas third-party provider that specialized in the sale and delivery of natural gas to government agencies for use as transportation fuel and provide Low Carbon Fuel Standard (LCFS) Credit consulting services to assist GCTD in monetizing federal and state-level marketable credits that are associated with its use. After the evaluation process which included evaluations and follow-up questions, GHI Energy received the highest overall score. GHI is considered a responsive, responsible bidder and their proposal is considered fair and reasonable based on adequate competition.

It is therefore recommended the Board of Directors authorize award of a contract to GHI Energy for the purchase of natural gas and third party LCFS consulting services for a three-year base period and two one-year option periods.

General Manager's Concurrence



Steven P. Brown