

NO: **R177**

COUNCIL DATE: **July 23, 2012**

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **July 16, 2012**

FROM: **General Manager, Finance & Technology**

FILE: **2320-01**

SUBJECT: **Purchase of Natural Gas for Civic Facilities**

RECOMMENDATION

The Finance & Technology Department recommends that Council authorize:

1. staff to undertake a Request for Proposal (RFP) process for the purposes of purchasing natural gas for City facilities from an independent supplier for a one-year term beginning on November 1, 2012; and
2. authorize the City Manager to make a decision regarding the award of such a contract so that if it is necessary notice can be given to Cascadia Energy Ltd on or prior to September 1, 2012 in accordance with the terms of their current contract with the City of Surrey and to Fortis BC if the City decides to purchase natural gas from Fortis BC commencing on November 1, 2012.

BACKGROUND

During September 2011 a Request for Expressions of Interest and Statement of Qualification (RFEOI/SOQ) No. 1220-050-2011-019 was issued by the City with view to determining the market interest in supplying natural gas for the City's civic facilities. Responses indicated that switching from FortisBC ("Fortis") to an independent natural gas provider would result in substantial savings for the City.

On March 12, 2012, Council approved the execution of a contract with Cascadia Energy Ltd. ("Cascadia") for the supply of natural gas to the civic facilities listed in Appendix "A" attached to this report for a term beginning on April 1, 2012 and ending on October 31, 2012 at a price of \$2.43 per GJ plus HST.

Council also instructed staff to provide a further report to Council by the end of July 2012 complete with recommendations regarding the purchase of natural gas for the civic facilities commencing November 1, 2012.

DISCUSSION

Natural gas is a commodity traded on the open market. As with most commodities, the price is dictated by supply and demand and hence can change on a daily basis.

The transition from Fortis BC to Cascadia occurred smoothly in relation to the change in natural gas supply. Staff has estimated savings of about \$30,000 for the City during the 5 month period of the current contract in comparison to the rates that the City was paying to Fortis BC in advance of the contract with Cascadia.

The City may cancel its agreement to purchase gas from Cascadia by giving 60 days notice in advance of October 31st. The Cascadia contract can be terminated on October 31st of any year. Similarly, to re-engage Fortis BC as the supplier of gas for any facility the City must give Fortis BC 60 days notice, which can be provided at any time during the year. Because each of Cascadia and FortisBC ("Fortis") require 60 days' notice the City should identify by September 1, 2012 its preferred supplier for the term that will start on November 1, 2012, which is when the current contract expires. In this regard, the City's options are:

1. Extend the contract with Cascadia for a new 12 month term commencing on November 1, 2012; or
2. Terminate the contract at October 31, 2012, subject to providing written notice to both Fortis BC and Cascadia 60 days in advance of October 31, 2012, which will allow the City to recommence purchasing gas from Fortis BC on November 1, 2012; or
3. Undertake an RFP process with respect to purchasing natural gas from an independent supplier in advance of the above-referenced 60 day notice period and base a purchase decision on the results of the RFP.

Due to the savings that would be anticipated by contracting with an independent supplier of natural gas, staff have determined that it would be in the City's best interest to undertake an RFP process (Option 3) with respect to purchasing natural gas from an independent supplier for a one year term commencing November 1, 2012.

Given the above-referenced notice requirements in the current contract with Cascadia, it is proposed that the City Manager be granted authority to award a contract based on the results of the RFP and to issue appropriate notice to each of Cascadia and Fortis BC, if necessary.

SUSTAINABILITY CONSIDERATIONS

The recommendations of this report will assist in achieving the objectives of Sustainability Charter action; more particularly, scope action item EC1: "Corporate Economic Sustainability" that focuses on ensuring the City's resources are used efficiently and responsibly.

CONCLUSION

Based on the above discussion, it is recommended that Council authorize staff to undertake a Request for Proposal (RFP) process for the purposes of purchasing natural gas for City facilities from an independent supplier for a one-year term beginning on November 1, 2012.

Vivienne Wilke, CGA
General Manager
Finance & Technology

Attachment:
Appendix "A" - Civic Facilities Covered by the Existing Natural Gas Agreement with Cascadia Energy Ltd.

Appendix "A"

Civic Facilities Covered by Existing Agreement

Facility	Address	Est. Annual Usage in GJ
City Hall	14245 - 56 Ave.	8,299
Works Yard - Main	6645 - 148 St.	4,249
Guildford Library & Rec Centre	15105 - 105 Ave.	4,488
South Surrey Arena	2199 - 148 St.	3,894
Fleetwood Community Centre & Library	15988 - 84 Ave.	5,046
Surrey Arts Centre	13750 - 88 Ave.	2,183
Surrey Museum	17710 - 56A St.	2,738
RCMP Headquarters	14333 - 57 Ave.	5,435
Newton Wave Pool	13730 - 72 Ave.	9,219
North Surrey Rec Centre	10275 City Parkway	13,675
South Surrey Indoor Pool	14655 - 17 Ave.	5,130
Surrey Sport & Leisure Pool	16555 Fraser Hwy.	28,628