

NO: R210

COUNCIL DATE: **OCTOBER 28, 2013**

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **October 21, 2013**

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

FILE: **2320-01**

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

RECOMMENDATION

The Finance & Technology Department recommends that Council:

1. approve the award of a contract to Cascadia Energy Ltd for the supply of natural gas for City facilities for the one-year term from November 1, 2013 to October 31, 2014 as generally described in this report;
2. authorize staff to undertake a market review process during the summer of 2014 for the purpose of establishing a preferred supplier for the purchase of natural gas for City facilities for a one-year term beginning on November 1, 2014 as generally described in this report; and
3. if the market review referenced in recommendation 2. establishes that the City would be economically advantaged by switching suppliers, authorize the City Manager to award a contract to the lowest cost proponent as revealed through the market review and give notice to Cascadia Energy Ltd on or prior to September 1, 2014.

INTENT

The purpose of this report is seek authorization for the award of a contract to purchase natural gas for civic facilities for the year beginning on November 1, 2013 and for a process to purchase gas for civic facilities for the following year.

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 the supply of 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. Due to the conversion time involved between Fortis BC and Cascadia, the contract did not commence until

June 1, 2012. Staff calculated savings of \$32,000 for the City during this time period in comparison to the rates that the City was paying to Fortis BC in advance of the contract with Cascadia.

In August 2012, a Request for Proposal (RFP) No. 1220-030-2012-042 was issued by the City for the purposes of purchasing natural gas for City facilities from an independent supplier for a one-year term beginning on November 1, 2012. Four proposals were received and the contract was awarded to Cascadia who provided the lowest rate.

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 regular basis.

Staff has estimated that the City saved about \$60,000 during the one-year term of the current contract, being from November 1, 2012 to October 31, 2013, with Cascadia in comparison to the rates that the City would have been paying if Fortis BC had been the supplier of the natural gas.

Under the contract with Cascadia, the City may cancel its agreement to purchase gas by giving 60 days notice in advance of October 31st of any year, which will result in the termination of the contract on October 31st of that 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.

In this regard, staff has undertaken a market review in relation to the supply of natural gas for civic facilities for the year beginning on November 1, 2013 and has determined that it would be in the City's best interest to extend the contract with Cascadia for another one-year term. The contract will have a value of approximately \$810,000 based on a rate of approximately \$4.00 per gigajoule(GJ).

With respect to the purchase of natural gas for the year commencing on November 1, 2014, staff is recommending that staff undertake a market review during the summer of 2014. Given that the contract recommended in this report requires the provision of 60 days notice to Cascadia if the current contract is not being renewed (i.e., notice must be given by September 1, 2014) and given that Council does not meet in August, staff is recommending that, if the market review establishes that the City would be economically advantaged by switching suppliers, the City Manager be authorized to award a contract for the year commencing on November 1, 2014 to the lowest cost proponent as revealed through the market review and to issue appropriate notice to Cascadia.

SUSTAINABILITY CONSIDERATIONS

The recommendations of this report will assist in achieving the objectives of the 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:

1. approve the award of a contract to Cascadia Energy Ltd for the supply of natural gas for City facilities for the one-year term from November 1, 2013 to October 31, 2014 as generally described in this report;
2. authorize staff to undertake a market review process during the summer of 2014 for the purpose of establishing a preferred supplier for the purchase of natural gas for City facilities for a one-year term beginning on November 1, 2014 as generally described in this report; and
3. if the market review referenced in recommendation 2. establishes that the City would be economically advantaged by switching suppliers, authorize the City Manager to award a contract to the lowest cost proponent as revealed through the market review and give notice to Cascadia Energy Ltd on or prior to September 1, 2014.

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