

NO: R197

COUNCIL DATE: **DECEMBER 1, 2014**

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **November 13, 2014**

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

FILE: **2320-01**

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

RECOMMENDATION

The Finance & Technology Department recommends that Council approve the execution of a contract by the appropriate City officials with Cascadia Energy Ltd (“Cascadia”) for the supply of natural gas for the civic facilities listed in Appendix “I” to this report for a one-year term beginning on November 1, 2014 and ending on November 1, 2015 at a price of \$3.99 per Gigajoule (GJ) plus applicable taxes.

INTENT

The purpose of this report is to seek authorization for the award of a contract to purchase natural gas for civic facilities for the year beginning on November 1, 2014.

BACKGROUND

On October 28, 2013, Council approved the execution of a 12-month contract with Cascadia for the supply of natural gas to the following civic facilities:

- City Hall
- Main Works Yard;
- Guilford Library & Recreation Centre;
- South Surrey Arena;
- Fleetwood Community Centre & Library
- Surrey Arts Centre;
- RCMP Headquarters;
- Newton Wave Pool;
- North Surrey Recreation Centre;
- South Surrey Indoor Pool; and
- Surrey Sports & Leisure Pool

The contract commenced on November 1, 2013 and expired on November 1, 2014. For this one year period, staff determined that savings for the City were \$56,500. The savings were calculated by comparing Cascadia’s rates to Fortis BC rates which were available at the time the contract with Cascadia commenced.

DISCUSSION

During its Regular meeting on October 28th, 2013, Council authorized staff to undertake a market review process during the summer of 2014 for the purpose of contracting the purchase of natural gas for civic facilities for a one-year term beginning on November 1, 2014. The Request for Proposal (RFP# 1220-030-2014-020) was issued on July 25, 2014. The proponents were asked to provide a “per Gigajoule (GJ)” rate for the supply of natural gas for a one-year period as well as information on their resources and technical services. Staff evaluated the proposals received and has concluded that the proposal from Cascadia represents the best value to the City. The proposal from Cascadia offered the lowest rate per GJ of natural gas. Staff estimates that a one-year contract with Cascadia for the supply of natural gas to the subject facilities will cost approximately \$770,170, inclusive of applicable taxes.

The following table provides a summary of the estimated cost that the City would incur over the one-year period based on the four proposals that were received by the City and the current Fortis BC rate for natural gas.

Proponent	Rate per GJ	Total Annualized Cost
Cascadia Energy	\$3.99 plus \$0.05 mgmt fee	\$770,170
Absolute Energy	\$4.10 plus \$0.05 mgmt fee	\$785,784
Direct Energy	\$4.39 plus \$0.05 mgmt fee	\$826,947
Access Gas Services	\$4.75 plus \$0.05 mgmt fee	\$878,046
Current Fortis rate	\$3.781 plus midstream (rate 3: \$1.114; rate 5: \$0.812)	\$863,375

The proposed contract with Cascadia for the period from November 1, 2014 to November 1, 2015, includes the following provisions in favour of the City:

- Cascadia agrees to supply and deliver uninterrupted volumes of natural gas required for the operation of each large commercial civic facility with no minimum and maximum volume restrictions;
- After the initial term, the agreement shall continue in effect for an additional two (2) one-year terms, by providing thirty (30) days written notice to Cascadia; and
- To terminate the contract at November 1, 2015, subject to providing written notice to Cascadia sixty (60) days in advance of November 1, 2015, will allow the City to undertake another RFP process with respect to purchasing natural gas from an independent supplier.

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 a contract for the supply of natural gas as generally outlined in this memorandum be awarded to Cascadia Energy Ltd (“Cascadia”) for a 12-month period beginning on November 1, 2014.

Vivienne Wilke, CGA
General Manager
Finance & Technology

Attachment:

Appendix “I” - Civic Facilities to be covered by a Natural Gas Contract with Cascadia Energy Ltd.

Appendix "I"**LIST OF FACILITIES TO BE COVERED UNDER CASCADIA ENERGY CONTRACT**

Facility	Address	Est. Annual Usage (Gigajoules)
City Hall (Old)	14245 – 56 Ave.	2,299
Works Yard – Main	6645 – 148 St.	4,251
Guildford Rec Centre & Pool	15105 – 105 Ave.	19,352
South Surrey Arena	2199 – 148 St.	4,584
Fleetwood Community Centre & Library	15988 – 84 Ave.	4,794
Surrey Arts Centre	13750 – 88 Ave.	2,284
Surrey Museum	17710 – 56A St.	2,629
RCMP Headquarters	14333 – 57 Ave.	6,986
Newton Wave Pool	13730 – 72 Ave.	12,577
North Surrey Rec Centre	10275 City Parkway	12,883
South Surrey Indoor Pool	14655 – 17 Ave.	8,465
Surrey Sport & Leisure Pool	16555 Fraser Hwy.	29,898
Surrey City Hall	13450-104 Avenue	7,852
City Centre Library	10350 University Drive	2,000
District Energy	10357-133 St.	5,400