

NO: **R272**

COUNCIL DATE: **December 19, 2016**

REGULAR COUNCIL

TO: **Mayor & Council**

DATE: **December 15, 2016**

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, as generally described in this report to Access Gas Services Inc. ("Access Gas") for the supply of natural gas for civic facilities listed in Appendix "I" to this report for a two-year term beginning January 1, 2017.
2. Delegate the authority to the General Manager, Finance & Technology Department to execute a two-year Contract including Contract amendments and execute up to two (2) one-year extensions in favour of the City, subject to satisfactory performance and any other related considerations by Access Gas.

INTENT

The purpose of this report is to seek authorization for the award of a contract to purchase natural gas for civic facilities for a two-year term beginning January 1, 2017.

BACKGROUND

In 2011, staff undertook a study of the merits of purchasing natural gas from an independent gas marketer and transitioned several large civic facilities to an independent provider to realize significant cost savings. Natural gas supply arrangements are currently in place for the 17 large civic facilities until the end of 2016. The new natural gas supply contract will encompass the existing 17 civic facilities with the addition of the Compressed Natural Gas (CNG) filling station at the Surrey Operations centre and the District Energy Boiler plant.

The total cost of natural gas is comprised of a commodity and a distribution charge. This report concerns an agreement for the purchase of the natural gas commodity portion only, as Fortis BC regulates the distribution charge. A commodity supply contract is an effective means of controlling the City's natural gas costs and improving predictability.

During May 2016, the City's Purchasing section was approached by Translink to pursue a joint procurement and evaluation process for a natural gas commodity contract. The joint Request for Proposal (RFP) process yielded additional cost benefits for the City which may have not otherwise been realised. Translink and the City of Surrey will be entering into separate contracts with the

preferred supplier. As a means of mitigating the City's exposure to the volatile commodity market, the natural gas supply contract will contain a combination of fixed and indexed pricing.

DISCUSSION

On July 19th 2016, a public competitive procurement process (RFP# Q16-016) was undertaken which resulted in the City and Translink receiving a total of four proposals for the supply of natural gas.

The four proponents were:

- Absolute Energy Inc.
- Access Gas Services Inc.
- Cascadia Energy Ltd.
- Direct Energy Business

Evaluation of Proposals:

The above referenced proposals were evaluated through the work of an evaluation team comprised of staff from the City of Surrey, Translink and Coast Mountain Bus Company. The evaluation process ranked each proposal against the criteria stipulated in Appendix "II". The evaluation team followed a three-step process in evaluating the proposals.

Step 1 - Evaluation and Scoring

All submitted proposals were evaluated by completing the evaluation score sheets based on the pre-determined evaluation criteria and their respective weightings.

Step 2 - Selection

City of Surrey Staff attended an evaluation team meeting to review all evaluations, and discuss and shortlist preferred proponents based on the combined scores.

Step 3 - In-depth Analysis

Shortlisted proponents were subjected to reference checks and additional due diligence. A panel interview was conducted with the preferred proponent.

Benefits of the Joint Procurement Process

While the City of Surrey had the option to issue an RFP independently, City staff viewed the opportunity of a joint procurement process as advantageous for the following reasons:

- Increased opportunity to obtain more favourable pricing, given the potential purchase order size. The City was able to obtain additional discounts on the variable-priced portion of the contract.
- Ability for City staff to collaborate with Translink and its operating companies to pool skills and expertise to evaluate proposals.
- Eliminate time and resources required for a standalone RFP issued and administered by the City's Purchasing section.

Result of the Evaluation Process

Based on the overall evaluation, Access Gas was determined to best meet the City's needs within the parameters outlined in the RFP. Access Gas secured the highest combined score out of the four proponents. Access Gas will provide a discount on the indexed priced portion of the contract along with an early payment discount, whereas other proponents offered no discounts. Furthermore, Access Gas offers the lowest management fee.

COSTS

The annual cost of natural gas (excluding delivery costs and GST/PST) for the 19 civic facilities listed in Appendix "I" is estimated to be \$ **728,000**. This amount is based on the estimated annual consumption of 146,700 GJ and the estimated cost per GJ.

SUSTAINABILITY CONSIDERATIONS

The recommendations of this report will assist in achieving the objectives of the City's Sustainability Charter. In particular, the purchase relates to the themes of Infrastructure and Build Environment and Neighbourhoods.

- Building and Sites DO13: Buildings are healthy and energy resource efficient.
- Energy and Climate: Buildings in the community are energy-efficient and offset energy use with onsite energy generation.
- Transportation DO13: Low-emission vehicles predominate and are supported by the necessary fueling infrastructure.

CONCLUSION

Based on the above discussion, it is recommended that a contract for the supply of natural gas as generally outlined in this report be awarded to Access Gas for a two-year term beginning on January 1, 2017, and the GM Finance & Technology be delegated the authority to execute a two-year Contract, Contract amendments and extensions as outlined in this report.

Vivienne Wilke, CPA, CGA
General Manager,
Finance & Technology

Appendix "I" – List of Civic Facilities covered by this agreement
Appendix "II" – Evaluation Criteria

CITY OF SURREY

List of Civic Facilities to be covered by Agreement

#	Facility	Site Address	Est. Annual Usage (GJ)
1.	Works Yard – CNG Vehicles NG Filling Station	6645- 148 St.	3,629
2.	Grandview Heights Aquatic Centre	16855 24th Ave.	12,636
3.	Operations Centre	6651- 148 St.	6,288
4.	Surrey Arts Centre	13750- 88th Ave.	1,659
5.	Old City Hall	14245- 56 th Ave.	4,137
6.	RCMP Headquarters & Annex	14355- 57 th Ave.	5,983
7.	Guildford Recreation Centre	15105- 105 Ave.	16,343
8.	Fleetwood Community Centre & Library	15988- 84 th Ave.	4,528
9.	District Energy Facility	10357 133 St.	6,048
10.	Surrey Museum	17710-56A Ave.	2,355
11.	South Surrey Arena	2199- 148 St.	4,537
12.	City Centre Library	10350 University Drive	2,904
13.	City Hall	13450- 104 Ave.	294
14.	Surrey Sports & Leisure Centre & Arena	16555 Fraser Hwy	30,792
15.	South Surrey Indoor Pool	14655- 17 th Ave.	6,903
16.	North Surrey Indoor Pool & Arena	10275 City Parkway	12,024
17.	Newton Wave Pool	13730 – 72 Ave.	9,768
18.	District Energy Boiler Plant	9804 Whalley Blvd.	12,090
19.	King George Station	9900 King George Blvd.	3,788
			146,706 GJ

RFP No. Q16-016

TITLE: Purchase of Natural Gas

EVALUATION CRITERIA

- (a) **Cost:** *Proponent's financial Offer.*
- (b) **Qualifications:** *Identify and qualifications of the Proponent/Principals of the Proponent.*
- (c) **Reputation:** *Business and technical reputation, experience and capabilities (including, where applicable, the experience of its personal and proposed subcontractors), financial stability, track record and references of current and former customers.*
- (d) **Ability to Meet Requirements:** *Capability, skill, flexibility and sufficiency of resources to fulfill the work, including ability to deliver the requirements when and where required.*
- (e) **Experience:** *Skills, knowledge and previous experience in delivering a similar scope of work within a specified budget.*
- (f) **Support Services:** *Quality of account management approach, technical support, collaboration services, reporting services and the standards set by a services level agreement.*
- (g) **Proposed Risk Mitigation Strategy:** *Tools available to mitigate risks.*
- (h) **Submission:** *Compliance with RFP requirements and quality of submission, including responsiveness to information requested in the Submission Guidelines and innovative concepts.*
- (i) **Relationship:** *Past dealings with the Proponent (if any)*
- (j) **Additional Offerings:** *Any offerings proposed that would result in better service, increased efficiencies.*
- (k) **Value:** *Overall value which directly results in lower costs or direct financial benefits.*