

Background:

On March 5, 2009, Sonoma County Transit released a Request for Proposals (RFP) seeking proposals from qualified natural gas vendors to provide natural gas to Sonoma County Transit for a three-year period from June 1, 2009, through May 31, 2012. The gas being purchased serves Sonoma County Transit's compressed natural gas (CNG) fueling plant at the transit facility. Sonoma County Transit's natural gas powered fleet consists of 45 heavy-duty CNG powered coaches.

Four proposals were received from qualified vendors prior to the RFP deadline. A fifth proposal was received a day late and was rejected.

Proposers were requested to provide a cost to procure and schedule delivery of natural gas to Sonoma County Transit's facility on a cost per therm basis. Actual commodity costs (i.e., cost of natural gas) are unknown as they reflect market conditions and are based on Natural Gas Intelligence (NGI) - PG&E citygate index pricing.

The four proposers fees are as follows (not including commodity cost):

- Accent Energy - \$0.018 therm
- BP Energy - \$0.008 therm
- IKUN Energy - \$0.006 therm
- Occidental Energy - \$0.008 (12 month agreement), \$0.006 (24 month agreement)

IKUN Energy provided the lowest cost proposal to provide natural gas brokerage and supply services to Sonoma County Transit, at NGI - PG&E citygate index pricing, plus \$0.006 per therm for a three-year period beginning June 1, 2009. The proposed agreement with IKUN Energy, like previous agreements with Accent Energy (the current provider), enables Sonoma County Transit to purchase gas on a monthly basis or multi-month basis at its discretion. Based on movement in the energy market, time of year, weather conditions and natural gas storage levels, it is at times favorable to "lock-in" a price in an effort to ensure consistent pricing and avoid large spikes in gas costs. Transit staff closely monitors the natural gas market on a daily basis to determine the most favorable time to consider longer term (multi-month) purchases. Over the three-year period, several month-to-month or multi-month agreements will be executed. IKUN's fee of \$0.006 per therm applies to any length agreement Sonoma County Transit chooses during the three-year contract period. This Board action allows the Transit Manager to execute these agreements, as has been typically done for the past 6 years. This minimizes processing time, thereby allowing the Transit Manager to execute purchase agreements at the most economical time. These agreements are industry standard, and have been reviewed and approved by Counsel.

(continued on next page)

Attachments: None

On File With Clerk: Contract

CLERK OF THE BOARD USE ONLY

Board Action (If other than "Requested")

Vote:

For FY 2010, it is estimated that Sonoma County Transit will consume 675,000 therms of natural gas to power its fleet and its natural gas powered compressor plant. Based on this estimate, IKUN Energy’s fees for gas procurement to Sonoma County Transit will be \$4,050, or approximately \$12,150 for the three-year agreement period. As noted above, actual commodity costs (i.e., cost of natural gas) are unknown as they are based on market conditions, but will be added to the fees associated with this agreement.

As a “non-core” (i.e., non-residential/high volume commercial) customer, Sonoma County Transit must purchase natural gas through a PG&E recognized broker, rather than PG&E itself.

IKUN Energy is a registered supplier and distributes natural gas via PG&E’s natural gas distribution network. As a broker, IKUN Energy acquires and schedules gas delivery to the PG&E network on Sonoma County Transit’s behalf. Sonoma County Transit then takes delivery from the PG&E network to the transit facility from via its own high pressure pipeline.

As shown on the chart below, the price per therm of natural gas varies considerably year-to-year due to weather, market perception, supply disruptions, winter storage expectations and other market influencing factors.

Sonoma County Transit - Natural Gas Price History

<u>Fiscal Year</u>	<u>Average Cost per Therm</u>
2004-05	0.6676
2005-06	0.9056
2006-07	0.7433
2007-08	0.8073
2008-09	0.9100
2009-10 projected	0.5500

The proposed agreement with IKUN Energy provides various options to Sonoma County Transit to best manage its natural gas purchases, at a low broker cost, over the next three-year period.

Recommended Actions:

- 1) Authorize Transit Systems Manager to execute standard agreements with IKUN Energy to provide natural gas broker and supply services to Sonoma County Transit, at NGI - PG&E citygate index pricing plus \$0.006 per therm, for the period of June 1, 2009, through May 31, 2012.
- 2) Authorize Transit Systems Manager to negotiate lower cost options with IKUN Energy during the period of agreement, as appropriate.