Los Angeles County
Metropolitan Transportation
Authority
One Gateway Plaza
3rd Floor Board Room
Los Angeles, CA

File #: 2020-0584, **File Type:** Contract **Agenda Number:** 28.

OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE
OCTOBER 15, 2020

SUBJECT: BIOMETHANE PROVIDERS

ACTION: AWARD CONTRACT

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to:

A. AWARD three (3) Indefinite Delivery/Indefinite Quantity Contracts under Request for Proposal (RFP) No. OP59812 each for five (5) years, plus a three (3)-year option, for a combined total Not-To-Exceed amount of $66,893,882 for Renewable Natural Gas (RNG) to Clean Energy Renewables, Shell Corporation, and Trillium for Metro's Divisions 8, 9, 10,13,15 and 18. Board approval of contract awards is subject to resolution of any properly submitted protest(s) and

B. AWARD Individual Transaction Confirmations (also known as Task Orders) to the qualified Renewable Natural Gas (RNG) suppliers for up to a not-to-exceed of $5,000,000 each, not greater than the total combined Not-To-Exceed value of $66,893,882.

ISSUE

Metro's long-term strategy to support California's ambitious air quality and greenhouse gas (GHG) goals is to procure and deploy a 100% Zero Emission Buses (ZEB) bus fleet by 2030. To ensure that our agency continues to achieve its greenhouse gas emissions and criteria air pollutant goals during this transition from compressed natural gas (CNG) fleet to ZEB fleet, we are using biomethane to power Ultra-Low Nitrogen Oxide (NOx) "Near Zero" CNG engines. Biomethane is also known as renewable natural gas.

The current biomethane contract was awarded in 2017 and will expire in 2022. The number of biomethane supply sources have increased and continued to diversify in the last three years. Low Carbon Fuel Standard (LCFS) rules have also evolved during that time. A new contract is necessary to ensure that our agency could access more diverse biomethane supplies and optimize the number of environmental credits we get from the use of biomethane, while continually minimizing the cost of our natural gas use.

DISCUSSION

Biomethane is natural gas derived from renewable sources such as landfills, dairies, and wastewater treatment plants rather than being extracted or mined from the ground. Therefore, biomethane has a much lower carbon intensity (CI) when compared to traditional forms of natural gas (i.e., “fossil natural gas”). The CI of a fuel is a measure of its GHG emissions over the lifecycle of that fuel’s production, including extraction, refinement, transportation, and consumption. Alternative sourcing, such as those associated with biomethane, reduce natural gas’ carbon intensity with improved greenhouse gas emissions benefits.

In June 2013, the Board adopted the Biomethane Implementation Plan. In May 2014, the Board approved a staff recommendation to pursue Pathway 2 of the Biomethane Implementation Plan whereby Metro would contract with an energy provider as a means of achieving a transition to biomethane. In the same report, staff demonstrated that the use of biomethane in our CNG buses would not need any new fueling infrastructure or fleet retrofits.

The current contract to use biomethane for our CNG fleet was awarded in 2017. Only after August 1, 2020 was the vendor able to temporarily supply 100% of the biomethane needs of our agency. The pace of biomethane source development prevented the full supply of biomethane from being delivered immediately. While there were no impacts to our bus operations, our ability to generate carbon credits from biomethane use was not optimized.

That temporary increase to 100% is only effective until contract OP59812000 is awarded. After that, the supply available from the current contract is only good for up to 42% of our needs. The current biomethane contract expires in 2022.

Since 2017, there has been an increase in the number of biomethane sources. There were also changes in the Low Carbon Fuel Standard rules. With the current biomethane contract expiring in two years, and the new logistical and LCFS credit landscape, staff developed a new procurement. This new contract seeks to optimize supplier diversity and number of carbon credits we get while keeping the price of natural gas expenses at par or lower than what we currently pay.

The biomethane from the new contract will continue to be delivered in the same quality and grade for immediate use by our fleet at all our bus divisions. The biomethane suppliers will deliver the fuel to Metro bus divisions using existing natural gas pipelines.

The transition to 100% biomethane provides enormous GHG emissions reduction benefits for Metro’s bus emissions and overall carbon footprint. A 100% biomethane short-term strategy is an excellent example of exercising fiscal discipline in the area of energy supply until a 100% ZEB fleet is fully implemented.

According to Metro’s 2019 Energy and Resource Report, the agency spends over $22M each year on natural gas for its current CNG bus fleet. While this expense is susceptible to price volatility outside of the agency’s control, there are also measures Metro can take in order to reduce risk and manage future costs. One of these is to tie the supply of renewable natural gas rate to a natural gas index. Tying natural gas prices to the natural gas index also provides rate transparency for Metro's natural gas procurement planning.

Finally, Metro's use of biomethane makes our agency eligible for accumulating additional carbon credits under state and federal programs. These credits are currently sold in open credit markets. Revenues from these sales are continually reinvested on LA Metro projects that are cost-saving and value creating projects.

DETERMINATION OF SAFETY IMPACT

This Board action will not have an adverse impact on safety standards for Metro.

FINANCIAL IMPACT

Metro will realize two distinct financial benefits from this Board action; natural gas savings and optimized generation of environmental commodities.

Current fossil natural gas price paid for by Metro is based on the average cost of gas. Contract OP59812000 requires that biomethane prices are tied to a natural gas index. This requirement provides for additional savings and transparency for Metro's natural gas program.

Under the California Air Resources Board's (CARB) LCFS and the US EPA's Renewable Index Numbers (RINs) programs, Metro is currently generating credits through the dispensing of natural gas for bus fueling and use of electricity for light and heavy rail propulsion. Specific to natural gas, the lower carbon index value of biomethane allows us to get a greater number of carbon credits compared to those generated when we use fossil natural gas.

Based on index projections and current value of additional environmental commodities, execution of this Contract will add over $40M in cost-savings and carbon credits revenue for our agency.

Impact to Budget

Budget for these contracts are in the FY21 budget in project number 306002 - Operations Maintenance. This project is currently funded by sources such as Prop C40%, Measure R 20%, TDA 4, STA and other local sources. Allocation of these funds to this effort maximizes the intended use of these sources based on approved funding guidelines and provisions.

ALTERNATIVES CONSIDERED

If this contract is not awarded, Metro will continue to utilize its existing biomethane contract until termination date in 2022. Until then, we will not be able to continually achieve 100% of our biomethane needs. Our receipt of related LFCS and RINs credits will not be optimized.

For any reason the current and future vendors cannot supply the volume of biomethane we need to run our CNG bus fleet; we will revert back to receive fossil natural gas from The Gas Company. We do not anticipate The Gas Company to offer a biomethane service any time soon. In any case, there will be no impact to bus operations.

NEXT STEPS

Upon Board approval, staff will execute the contract and commence biomethane delivery. Staff will evaluate the performance of the contract at the end of the five-year base contract year and determine whether to exercise the three-year option.

ATTACHMENTS

Attachment A - Procurement Summary
Attachment B - DEOD Summary

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ATTACHMENT A

PROCUREMENT SUMMARY

RENEWABLE NATURAL GAS CONTRACT NO. OP59812000

1.	Contract Number: OP59812000	
2.	Recommended Vendor(s): Clean Energy Renewable Fuels LLC, Shell Energy North America (US) LP, and Trillium	
3.	Type of Procurement (check one): ☐ IFB ☒ RFP ☐ RFP–A&E ☐ Non-Competitive ☐ Modification ☐ Task Order	
4.	Procurement Dates:	
	A. Issued:7/24/2019	
	B. Advertised/Publicized: 7/26/19, 7/27/19, 8/1/19, 8/5/19	
	C. Pre-proposal/Pre-Bid Conference: 8/7/19	
	D. Proposals/Bids Due: 10/24/19	
	E. Pre-Qualification Completed: 9/14/20	
	F. Conflict of Interest Form Submitted to Ethics: 12/6/19	
	G. Protest Period End Date: (15 Calendar Days after Notification of Intent to Award) 10/1/20	
5.	Solicitations Picked up/Downloaded: 44	Bids/Proposals Received: 7
6.	Contract Administrator: Lorretta Norris	Telephone Number: (213) 922-2632
7.	Project Manager: Craig Reiter	Telephone Number: (213) 418-3476

A. Procurement Background

This Board Action is to approve three (3) Indefinite Delivery/Indefinite Quantity (IDIQ) Contracts for the procurement of Renewable Natural Gas (RNG) in support of Metro's bus fleet for Divisions 8, 9, 10, 13, 15 and 18. Board approval of contract awards is subject to resolution of any properly submitted protest(s).

A Request for Proposal (RFP) No. OP59812 was issued on July 24, 2019, in accordance with Metro's Acquisition Policy and the contract type is an Indefinite Delivery, Indefinite Quantity (IDIQ).

Five (5) Amendments were issued during the solicitation phase of this RFP:

- Amendment No. 1, issued August 2, 2019; provided pre-proposal conference call-in number;
- Amendment No. 2, issued September 06, 2019; revised proposal due date;

- Amendment No. 3, issued October 10, 2019; revised RFP Submittal Requirements;
- Amendment No. 4, issued October 14, 2019; revised RFP Supplemental Instructions to Proposers; and,
- Amendment No. 5, issued November 25, 2019; revised RFP Evaluation Criteria

A Pre-Proposal Conference was held August 7, 2019 and attended by nine (9) potential proposers.

A total of fifty (50) questions were received and responded to prior to the proposal due date.

A total of seven (7) proposals were received, October 24, 2019.

B. Evaluation of Proposals

This procurement was conducted in accordance with and complies with Metro's Acquisition Policy for a Technically Acceptable Lowest Price (TALP) competitive RFP.

A Proposal Evaluation Team (PET) consisting of staff from Metro Environmental Compliance and Sustainability, Construction Management, Office of Management and Budget, and Treasury convened and conducted a comprehensive technical evaluation of the proposals received. The seven (7) proposals were evaluated for technical competence using the pre-established evaluation criteria listed in the RFP. Four (4) proposals were deemed Not Technically Acceptable.

Proposers are listed in alphabetical order with rating received from Metro's Proposal Evaluation Team (PET) based the RFP defined evaluation criteria:

Proposers	Rating
ampRenew Offtake I LLC	Technically Not Acceptable
Archaea Holdings, LLC	Technically Not Acceptable
Clean Energy Renewable Fuels LLC	Technically Acceptable
Shell Energy North America (US) LP	Technically Acceptable
Trillium	Technically Acceptable
Trustar Energy LLC	Technically Not Acceptable
U.S. Gain a division of U.S. Venture, Inc.	Technically Not Acceptable

In accordance with the solicitation, Metro is making multiple awards to three (3) qualified RNG suppliers. The multiple RNG suppliers will provide the best solutions relative to greenhouse gas emissions, managed energy costs, and optimization of environmental commodities.

Three (3) of the above proposers were deemed fully Responsive to all Metro's RFP requirements and are found to be Responsible proposers. Four (4) of the above proposers were deemed Non-Responsive to the RFP after being found Technically Not Acceptable. That determination was based on their inability to provide RNG output(s) to meet Metro's division(s) volume delivery requirements, and not meeting other statement of work requirements.

C. Price Analysis

A price analysis was conducted comparing the lowest price per therm rates for each Division, per proposer.

Based on adequate price competition, price analysis and technical analyses performed, and the comparability to Metro's Independent Cost Estimate (ICE) of $68,126,875 – the proposed per therm price rates for Clean Energy, Trillium and Shell, incorporating defined Low Carbon Fuel Standard (LCFS) and Renewable Identification Number (RIN) credit yields – the total proposed price rates have been determined to be fair and reasonable.

D. Background on Recommended Contractor

CLEAN ENERGY

The recommended firm, CLEAN ENERGY FUELS LLC, has over eleven (11) years of experience in the natural gas industry, including production, marketing, sales, and distribution. Clean Energy is the only company that built, owns and operates natural gas production facilities and is a registered Energy Service Provider with SoCalGas. Since 2009, Clean Energy has delivered natural gas to customers at customer owned stations as well as Clean Energy owned public access stations. Some of Clean Energy's customers include Foothill Transit, City of Santa Monica (Big Blue Bus), Sacramento Municipal Utilities District, City of Sacramento, and University of California, San Diego, and Atlas Refuel. Clean Energy has been a Metro supplier of natural gas products, CNG, RNG, and commodities for over 20 years and their services to Metro have been satisfactory. Clean Energy is Metro's current RNG supplier.

SHELL ENERGY NORTH AMERICA

The recommended firm, SHELL ENERGY NORTH AMERICA (US) LP (headquartered in the Netherlands), is an international energy company with expertise in the exploration, production, refining and marketing of oil and natural gas, and the manufacturing and marketing of chemicals. Royal Dutch Shell plc, the parent company, was formed in 1907, but its history can be traced back to the first half of the 19th century. Shell operates in over 70 countries and its strategy is to strengthen its position as a leading energy company by providing oil and gas and low-carbon energy as the world's energy system changes.

TRILLIUM

The recommended firm, TRILLIUM, acquired in 2016 by Love’s Travel Stops & Country Stores (headquartered in Oklahoma City), has over two (2) decades of refueling experience and owns 65 public-access CNG facilities. Trillium is a leading developer of alternative fueling system design and provides installation and operations for innovative energy solutions. Trillium’s fuels include Compressed Natural Gas (CNG), Renewable Natural Gas (RNG), Hydrogen, and Electric Vehicle (EV) Charging infrastructure. Trillium specializes in designing, building, and operating these facilities, and provides 24/7 maintenance services for various types of professional fleets.

DEOD SUMMARY

RENEWABLE NATURAL GAS CONTRACT NO. OP59812000

A. Small Business Participation

The Diversity and Economic Opportunity Department (DEOD) did not establish a Disadvantaged Business Enterprise (DBE) goal for this solicitation due to the lack of DBE certified firms available to provide the required services for this procurement. A search of the DBE database revealed that there are no DBE firms certified for Natural Gas Distribution.

B. Living Wage and Service Contract Worker Retention Policy Applicability

The Living Wage and Service Contract Worker Retention Policy is not applicable to this contract.

C. Prevailing Wage Applicability

Prevailing wage is not applicable to this contract.

D. Project Labor Agreement/Construction Careers Policy

Project Labor Agreement/Construction Careers Policy is not applicable to this Contract. Project Labor Agreement/Construction Careers Policy is applicable only to construction contracts that have a construction contract value in excess of $2.5 million.