

BOARD MEETING DATE: September 5, 2014

AGENDA NO. 5

**PROPOSAL:** Recognize Revenue and Execute and Amend Contracts to Construct Natural Gas Fueling Stations

**SYNOPSIS:** The SCAQMD previously recognized \$2.6 million from CEC to fund new or upgrade existing natural gas stations throughout the Basin. An amendment of the CEC grant is needed to replace two CNG station upgrades with one new LNG station installation and change the funding source for one CNG station upgrade. Additionally, in September 2013 U.S. DOE revenue was recognized into the Science & Technology Advancement's FY 2013-14 Budget to fund a UPS project, but the revenue should have been recognized into the Clean Fuels Fund (31). These actions are to approve the replacement project to be funded by the CEC grant from the Clean Fuels Fund (31), substitute the funding source for one CNG station upgrade to the Clean Fuels Fund (31), recognize U.S. DOE revenue into the Clean Fuels Fund (31), and execute a contract with UPS for an LNG station refurbishment from the Clean Fuels Fund (31).

**COMMITTEE:** Technology, July 25, 2014; Less than a quorum was present; the Committee Member present recommended that this item be forwarded to the full Board for consideration.

**RECOMMENDED ACTIONS:**

1. Authorize the Chairman to amend the following:
  - a. A contract with Clean Energy to construct an LNG station in the City of Perris in an amount not to exceed \$400,000 from the Clean Fuels Fund (31), using de-obligated funds from two unrelated projects; and
  - b. A contract with the City of West Covina for one CNG station upgrade substituting the funding source from CEC revenue to the Clean Fuels Fund (31).
2. Recognize, upon receipt, \$150,000 from the U.S. DOE into the Clean Fuels Fund (31).

3. Authorize the Chairman to execute a contract with UPS from the Clean Fuels Fund (31) using the \$150,000 of U.S. DOE funds.

Barry R. Wallerstein, D.Env.  
Executive Officer

MMM:HH:DRS:DC:PMB:DAH

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### **Background**

Alternative fuel vehicles play an important role in Southern California's efforts to meet the federal standards for fine particulate and ozone, and the SCAQMD has a long history in supporting the development and commercialization of alternative fuel vehicles. The SCAQMD recognizes the importance of establishing and maintaining a large network of alternative fuel fueling stations to support this vehicle deployment. Continued expansion and support of this network is critical to ensure the success of alternative fuel vehicles in the region.

#### \$2.6 Million CEC Grant (ARV-10-054)

In September 2010, the Board recognized \$2.9 million in revenue into the Clean Fuels Fund (31) from CEC through the AB 118 Alternative and Renewable Fuel and Vehicle Technology Program. Of this \$2.9 million, \$2.6 million was for CEC Grant #ARV-10-054 to construct new or to upgrade existing natural gas stations throughout the South Coast Air Basin. In October 2011, using the \$2.6 million CEC grant revenue, the Board made 6 awards for 11 CNG/LNG fueling station projects to either upgrade existing stations or construct new stations.

In November 2012, the Board awarded \$200,000 of the CEC grant revenue to the City of West Covina to upgrade their existing CNG station. However, the City of West Covina cannot complete their station upgrade to meet the timeline required by the CEC grant. Therefore, the \$200,000 grant funds will be de-obligated from the City's contract.

In May 2012, \$200,000 from the CEC grant revenue was awarded by the Board to the Rim of the World Unified School District to upgrade an existing CNG refueling station. For financial reasons, Rim of the World has decided not to move ahead with the station upgrade. Therefore, this contract will be terminated.

#### \$150,000 UPS Grant (DE-EE0002545)

In September 2013, the Board recognized and appropriated revenue in the amount of \$150,000 from the U.S. DOE into the Science & Technology Advancement's FY 2013-14 Budget. The U.S. DOE revenue is to upgrade UPS's existing LNG fueling station in Ontario. This project will also be co-funded by CEC grant revenue from SCAQMD in the amount of \$300,000.

## **Proposal**

### \$2.6 Million CEC Grant (ARV-10-054)

Staff has been working closely with CEC to identify a viable replacement project in order to fully utilize the funds previously allocated to the Rim of the World and the City of West Covina projects. The replacement project identified is a new LNG station in the City of Perris to be constructed, owned and operated by Clean Energy. This project will be located at an existing Arco Truck stop facility adjacent to the I-215 freeway, a north-south goods movement corridor with significant heavy-duty vehicle activity. Clean Energy projects LNG demand at this location will exceed 2 million diesel gallon equivalents over the next five years. Clean Energy was previously awarded a contract to construct two LNG stations in Fontana and Coachella. This action is to amend the existing contract (No. 12851) with Clean Energy by adding \$400,000 to the contract amount to construct the LNG station in the City of Perris. The CEC has given its approval to proceed with the City of Perris LNG station project.

### Clean Fuels Funds

As described above, the City of West Covina's upgrade of its limited access CNG station is a critical project needed in order to meet the demands of the City's fleet of natural gas vehicles as well as provide added CNG refueling near to the I-10 freeway. But, the City is unable to meet the deadlines of the CEC grant. This project is co-funded with \$300,000 from the MSRC. To prevent losing the MSRC co-funding and to ensure the completion of the project, this action is to amend the contract (No. 14219) with the City of West Covina to substitute the \$200,000 of CEC grant revenue with an equal amount of funding from the Clean Fuels Fund (31). The upgraded station will double both its CNG compression capability and storage capacity and include one public access fast-fill dispenser with card reader and two slow-fill fueling posts.

### \$150,000 UPS Grant (DE-EE0002545)

The natural gas station located at UPS's Ontario property is an LCNG station with public access to both fuel types as well as a separate private access CNG station to enable UPS to fuel their expanded fleet of heavy-duty natural gas powered vehicles. This project is a refurbishment and upgrade to the existing station and will serve to continue and expand the natural gas refueling infrastructure in a critical corridor. The station is adjacent to the SR 60 and SR 91 freeways and south of the Ontario International Airport. This action is to recognize the \$150,000 of U.S. DOE revenue into the Clean Fuels Fund (31) and to execute a contract with UPS for an LCNG station refurbishment and upgrade at UPS's existing LCNG fueling station in Ontario. The contract will also be funded by \$300,000 of previously recognized CEC funds.

## **Benefits to SCAQMD**

The AQMP relies on the expedited implementation of low-emission technologies and the implementation of these natural gas infrastructure projects will help the SCAQMD to achieve its clean air goals. Furthermore, these stations fill critical gaps in the region for CNG and LNG and promote the utilization of the cleanest available fleet and

passenger vehicles. The proposed projects are included in the *Technology Advancement Office 2014 Plan Update* under “Infrastructure and Deployment.”

**Sole Source Justification**

The proposed projects were selected by CEC and/or U.S. DOE as qualifying projects under their competitive solicitations. Section VIII.B.2 of the Procurement Policy and Procedures identifies four major provisions under which a sole source award may be justified. This request for a sole source award is made under B.2.c (1): The unique experience and capabilities of the proposed contractor or contractor team, and B.2.d (1): Projects including cost sharing by multiple sponsors. The CEC has given its approval to proceed with the City of Perris LNG station project. In addition, the MSRC is cost sharing the City of West Covina station upgrade. Lastly, the CEC and U.S. DOE are major sponsors of the UPS Ontario station upgrade. Furthermore, Section VIII.B.3 of the Procurement Policy and Procedure identifies four major provisions under which a sole source award may be justified when contracts are funded in whole or in part with federal funds. The UPS proposed project qualifies as a sole source award under B.3.a: this item is available only from a single source. Specifically, UPS owns both the site and the existing equipment and has extensive experience with both LNG and CNG fueling stations.

**Resource Impacts**

The amendment to the Clean Energy contract shall not exceed \$400,000 and will be fully funded using CEC revenue previously recognized into the Clean Fuels Fund (31). The City of West Covina amendment shall not exceed \$200,000 from the Clean Fuels Fund (31). The contract with UPS for its Ontario LCNG refurbishment and upgrade shall not exceed \$450,000 (comprised of the \$150,000 from U.S. DOE and \$300,000 from CEC) from the Clean Fuels Fund (31). The table below lists the proposed projects, funding sources and total project costs.

**Table 1: Requested Project Awards**

<b>Project</b>	<b>CEC</b>	<b>DOE</b>	<b>MSRC</b>	<b>CF</b>	<b>\$ Project*</b>
Clean Energy Perris New LNG Station	\$400,000	-	-	-	\$1,287,323
City of West Covina CNG Upgrade	-	-	\$300,000	\$200,000	\$619,429
UPS Ontario LCNG Refurbish/Upgrade	\$300,000	\$150,000	-	-	\$484,000
<b>Total</b>	<b>\$700,000</b>	<b>\$150,000</b>	<b>\$300,000</b>	<b>\$200,000</b>	<b>\$2,390,752</b>

\*Estimated project costs include funding contributed by each proposed awardee (i.e. Clean Energy, City of West Covina, and UPS)

The Clean Fuels Program Fund (31) was established as a special revenue fund resulting from the state-mandated Clean Fuels Program. The Clean Fuels Program, under Health and Safety Code Sections 40448.5 and 40512 and Vehicle Code Section 9250.11,

establishes mechanisms to collect revenues from mobile sources to support projects to increase the utilization of clean fuels, including the development of the necessary advanced enabling technologies. Funds collected from motor vehicles are restricted, by statute, to be used for projects and program activities related to mobile sources that support the objectives of the Clean Fuels Program.