

CITY OF OAKLAND

AGENDA REPORT

2006 NOV 16 PM 4: 24

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Public Works Agency
DATE: November 28, 2006

RE: **Resolution Authorizing the City Administrator to Enter into an Agreement with the Port of Oakland and Clean Energy for the Funding, Design, and Construction of a Downtown Compressed Natural Gas Refueling Station for a Period of Ten Years with an Option to Extend an Additional Five Years; to Appropriate an Amount Not to Exceed \$375,000 in Grant Funding for the Construction of a Compressed Natural Gas Refueling Station at 205-209 Brush Street; and to Accept Royalties on Behalf of the City from Clean Energy's Sale of Compressed Natural Gas**

SUMMARY

A resolution has been prepared for the City Council that authorizes the City Administrator to enter into an agreement with the Port of Oakland and Clean Energy, a California Corporation, for the funding, design, and construction of a compressed natural gas (CNG) refueling station in Council District 3. Said resolution also authorizes the City Administrator to appropriate up to \$375,000 in previously accepted grant funding for the design and construction of the CNG refueling station to be located at 205-209 Brush Street, Oakland, and to accept royalties from the sale of the CNG.

An agreement has been prepared between the City of Oakland, the Port of Oakland, and Clean Energy, a California Corporation. Under the agreement, the City will provide grant funds up to \$375,000 to partially pay for the design and construction of the CNG refueling station; the Port of Oakland will provide the land on which the station will be built and will be serving as the construction manager during the construction phase of the project; and Clean Energy will design, construct, operate and maintain the station. The agreement also includes provisions for the City and Port of Oakland to purchase CNG at a reduced market rate, and each Agency to be paid royalties of \$0.025 per gasoline gallon equivalent of CNG sold to the public at the station by Clean Energy. A gasoline gallon equivalent (GGE) is defined as 125,000 BTUs of CNG, the same amount of BTUs contained in a gallon of gasoline.

Two grant funding sources for the CNG station have been approved and accepted by City Council. The Alameda County Congestion Management Agency awarded a grant from the Transportation Fund for Clean Air, in the amount of \$225,000, as authorized by Council Resolution No. 79902 C.M.S. (May 16, 2006); and the California Energy Commission awarded a grant from the State Energy Program in the amount of \$150,000, as authorized by Council Resolution No. 79903 C.M.S. (May 16, 2006), both for the purpose of designing and constructing a CNG refueling station at 205-209 Brush Street.

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Approval of this resolution will support the Council's goal of developing a sustainable city by promoting an enterprise that protects and conserves natural resources. The City currently has 177 CNG fueled vehicles in service. Many of those vehicles are based downtown, and this refueling station will reduce travel time and vehicle emissions resulting from travel to the City's only other CNG refueling station at the Municipal Service Center, 7101 Edgewater Drive. The central location of this refueling station will also be an incentive for the public to purchase and operate vehicles fueled by CNG. This will have a positive impact on air quality by reducing the greenhouse gas emissions relative to gasoline fueled vehicles. The City will realize reduced fuel costs by switching from gasoline fueled vehicles to CNG fueled vehicles. CNG GGE prices are approximately half the cost of retail gasoline. Use of CNG has a further benefit of reducing our dependence on foreign energy sources, with approximately 90% of CNG produced within the United States, and 100% within North America.

FISCAL IMPACT

Approval of the resolution will authorize the City Administrator to appropriate \$375,000 toward the construction of a CNG refueling station on Port of Oakland owned property at 205-209 Brush Street in Fund 4100, Org 92441. The \$375,000 appropriation will be reimbursed by the Alameda County Congestion Management Agency (\$225,000), as authorized by Council Resolution No. 79902 C.M.S.; and the California Energy Commission (\$150,000), as authorized by Council Resolution No. 79903 C.M.S. The estimated cost of designing and constructing the station is \$961,020; construction costs in excess of \$375,000 will be funded exclusively by Clean Energy. No City or Port funds are required for this project. Approval of this resolution will create a revenue source for the City from royalties of \$0.025 per GGE of CNG sold to the public. It is expected that at least 700 GGE per day will be sold, resulting in royalties of \$17.50 per day, or over \$6,000 per year. These funds will be deposited in Fund 4100, Org 30541, and Account 45119.

BACKGROUND

On June 3, 2003, Council approved Resolution No. 77842 C.M.S that established "green fleet" policies for the City's fleet. Council resolved that the City would "purchase vehicles powered by alternative fuel sources for its non-emergency automotive fleet whenever possible without exceeding the amount budgeted for vehicle acquisitions; and that the City of Oakland will continue to actively pursue federal, state, and other incentive programs related to clean air and energy efficiency."

On May 16, 2006, Council approved Resolutions No. 79902 C.M.S. and 79903 C.M.S. that accepted \$225,000 and \$150,000 in grant funds, respectively, for use in designing and building a CNG refueling station on Port of Oakland property at 205-209 Brush Street.

Since the time of acceptance of the grants funds, the "Funding, Design and Construction

Agreement Oakland Downtown CNG Station” by and between the City of Oakland, Port of Oakland, and Clean Energy was prepared. This resolution authorizes the City Administrator to sign this agreement, appropriate the grant funding and accept royalties from the sale of CNG on behalf of the City.

Oakland is a leader in the use and advancement of alternative fueled vehicles. The City currently has 177 CNG fueled vehicles in its fleet. In 1994, Oakland was designated a U.S. Department of Energy “Clean City”. As a Clean City, Oakland has been a leader in applying for grants and coordinating opportunities for the acquisition of alternative fuel vehicles with other public agencies and private companies in the East Bay region.

Clean Energy owns and operates more than 165 fueling stations across the United States and Canada. Clean Energy is the largest producer of vehicular natural gas in North America, primarily serving commercial, municipal, state and federal government fleets. These high-fuel-use fleets include transit, refuse, taxi and shuttle service operators. Customers include Los Angeles International Airport, Phoenix Sky Harbor International Airport, Waste Management, SYSCO Foods, Denver Rapid Transit District, and the U.S. Navy. Clean Energy is a private company whose major shareholders include Boone Pickens, Terasen Inc., Westport Innovations Inc., and Perseus 2000 LLC.

KEY ISSUES AND IMPACTS

The proposed station will be installed in the Port of Oakland’s former corporation yard at 205-209 Brush Street, Oakland (see Attachment B). The CNG fueling station is intended to serve automobiles and light-duty trucks that are fueled by CNG, including the Port’s 21 CNG vehicles and the City of Oakland’s 177 CNG-fueled vehicles, as well as serving the public’s CNG refueling needs. Potentially, taxis and shuttles operating at the Oakland International Airport and other CNG vehicles may also fuel at the proposed station. Currently, Port CNG vehicles fuel at a location near Oakland International Airport. City CNG vehicles fuel at the City’s Municipal Service Center at 7101 Edgewater Drive (see Attachment A). These sites will continue to dispense CNG fuel; this site will provide another source of the fuel in Oakland.

The proposed downtown CNG station will allow the City to replace gasoline-fueled staff cars with cleaner burning CNG vehicles in and around the downtown area. The proposed downtown CNG station will be open to the public, thus allowing other government agencies and private businesses to convert their fleets to cleaner burning CNG vehicles.

The fueling station will occupy approximately 2,264 square feet of the former corporation yard, and allow for up to four vehicles to fuel simultaneously at two dual-hose dispensers on a single fueling island. It will be open around the clock on a self-serve basis, with credit card access. Approximately 100-150 light-duty trucks or passenger vehicles will fuel at the station daily

The station construction is expected to be completed and open for business by June 30, 2007.

Clean Energy entered into a similar agreement with the Port of Oakland in 2001 for design, construction and operation of the Port's CNG station on Earhardt Way. This new agreement between the Port, the City, and Clean Energy calls for the Port to provide the land with Clean Energy providing station design, construction, operation and maintenance costs. Clean Energy's agreement with the Port allows Clean Energy to own the station infrastructure for ten years, with a five-year extension option. The Port retains ownership of the real estate on which the station is located. The City will contribute up to \$375,000 in grant funds to subsidize Clean Energy in its design and construction costs for the station. In exchange, Clean Energy will sell CNG fuel to the Port and the City at a reduced market rate, and will sell CNG fuel to the general public at the fair market price. The reduced market rate is the PG&E Tariff Price (currently approx. \$0.50 per GGE) plus a margin cost of \$0.4972 per GGE for a total price of \$1.00 per GGE. Clean Energy will also pay a royalty to the Port and to the City of \$0.025 each for each GGE sold to the public. These royalty funds will be deposited in Fund 4100, Org 30541, Account 45119.

SUSTAINABLE OPPORTUNITIES

Economic: Approval of this resolution will result in reduced travel times for refueling the City's current fleet of CNG vehicles based out of downtown offices. The availability of CNG will contribute to improved air quality as more motorists, commercial and private, convert their vehicles to CNG. Use of CNG instead of gasoline will decrease vehicle emissions and improve public health, which will have a positive effect on the economy. The proposed acquisition will also decrease the City's dependence on foreign oil, and increase commerce with United States producers of energy.

Environmental: Approval of this resolution will result in construction of a CNG refueling station which will reduce emissions of hazardous compounds associated with use of gasoline. Approval of this resolution will also decrease greenhouse gases, which most scientists agree are a major contributor to global warming.

Social Equity: The areas most affected by vehicle emissions are neighborhoods close to freeways, and major transportation routes — areas that also tend to be lower-income. This resolution advances social equity by decreasing vehicle emissions in disadvantaged areas.

DISABILITY AND SENIOR CITIZEN ACCESS

This resolution does not have any impact on the Americans with Disabilities Act, the Older Americans Act, and other applicable laws. There are no ADA or senior citizens access issues contained in this report.

RECOMMENDATION(S) AND RATIONALE

By approving this resolution, Council will ensure that the City of Oakland continues to reduce its greenhouse gas emissions, increase the fleet's fuel efficiency, improve local air quality, and reduce the City's dependence on foreign energy sources. The Council will also be exercising its power in the marketplace by ensuring that purchases and expenditures using public funds are made in a manner consistent with the desire to reduce greenhouse gases and improve air quality. The City will also be providing a positive example to citizens about using environmentally sound and sustainable technologies and practice.

ACTION REQUESTED OF THE COUNCIL

Staff recommends approval of this resolution.

Respectfully submitted,



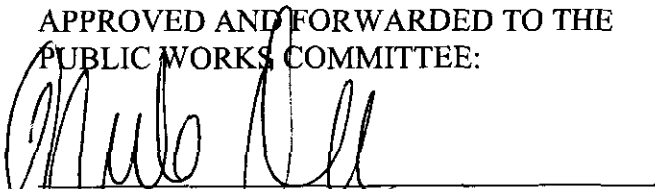
Raul Godinez, II, P.E.
Director, Public Works Agency

Reviewed by:
Bruce Saunders, Assistant Director
Department of Infrastructure and Operations

Prepared by:
Ronald Ward, Supervising Civil Engineer
Infrastructure Maintenance Division

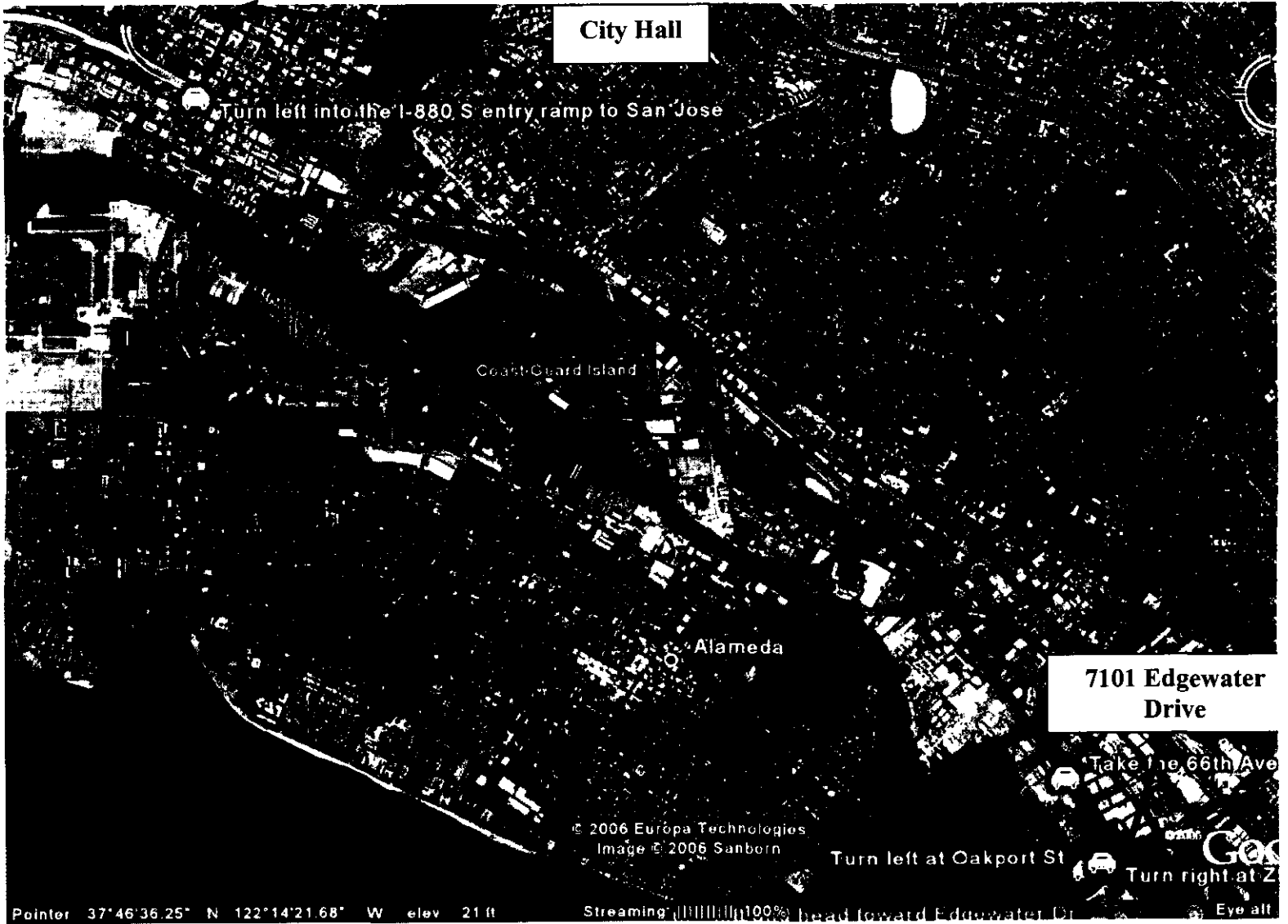
Attachment: A – Distance City Hall to Current Station
B – Distance City Hall to Proposed Station

APPROVED AND FORWARDED TO THE
PUBLIC WORKS COMMITTEE:


Office of the City Administrator

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Aerial View of City Hall to 7101 Edgewater Drive



Approximately 7.0 miles, 13.5 minutes from City Hall to 7101 Edgewater Drive

Aerial View of City Hall to 205 Brush Street



Approximately 1.1 miles, 3.5 minutes from City Hall to 205 Brush Street

OFFICE OF THE CITY CLERK
OAKLAND

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Approved as to Form and Legality


Oakland City Attorney's Office

OAKLAND CITY COUNCIL

RESOLUTION No. _____ C.M.S.

INTRODUCED BY COUNCILMEMBER _____

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO ENTER INTO AN AGREEMENT WITH THE PORT OF OAKLAND AND CLEAN ENERGY FOR THE FUNDING, DESIGN, AND CONSTRUCTION OF A DOWNTOWN COMPRESSED NATURAL GAS REFUELING STATION FOR A PERIOD OF TEN YEARS WITH AN OPTION TO EXTEND AN ADDITIONAL FIVE YEARS; TO APPROPRIATE AN AMOUNT NOT TO EXCEED \$375,000 IN GRANT FUNDING FOR THE CONSTRUCTION OF A COMPRESSED NATURAL GAS REFUELING STATION AT 205-209 BRUSH STREET; AND TO ACCEPT ROYALTIES ON BEHALF OF THE CITY FROM CLEAN ENERGY'S SALE OF COMPRESSED NATURAL GAS

WHEREAS, the City of Oakland is committed to improving air quality and reducing its dependence on foreign energy sources; and

WHEREAS, the City of Oakland currently has 177 vehicles fueled by compressed natural gas, many of which are based out of downtown City administration offices; and

WHEREAS, the City of Oakland has been approved by the Alameda County Congestion Management Agency to receive \$225,000 in Transportation Fund for Clean Air funds to offset a portion of the cost to construct a compressed natural gas refueling station at 205-209 Brush Street in Oakland, as authorized by Council Resolution No. 79902 C.M.S.; and

WHEREAS, the City of Oakland has been approved by the California Energy Commission to receive \$150,000 in State Energy Program funds to offset a portion of the cost to construct a compressed natural gas refueling station at 205-209 Brush Street in Oakland, as authorized by Council Resolution 79903 C.M.S.; and

WHEREAS, both aforementioned grants are administered as matching funds for City expenditures, Fund 4100, Organization 92441 will be the accounting repository for funding and reimbursement,

WHEREAS, the City of Oakland has identified an opportunity to partner with the Port of Oakland to construct a compressed natural gas refueling station on Port property located at 205-209 Brush Street, Oakland; and

WHEREAS, Clean Energy, a California Corporation, has entered into a Space/Use Permit with the Port of Oakland to operate a CNG refueling station at 205-209 Brush Street; and

WHEREAS, Clean Energy will construct, operate and maintain a compressed natural gas refueling station at 205-209 Brush Street under an agreement with the City and the Port of Oakland for a term of ten years, with an option to extend an additional five years; and

WHEREAS, Clean Energy will sell compressed natural gas to the City and the Port of Oakland at a reduced market rate, and pay royalties to the City and the Port of Oakland of \$0.025 per gasoline gallon equivalent each; the City of Oakland's royalties to be deposited in Fund 4100, Org 30541, Account 45119, now, therefore, be it

RESOLVED: That the City Administrator is authorized to enter into an agreement with the Port of Oakland and Clean Energy for the funding, design and construction of a compressed natural gas refueling station located at 205-209 Brush Street in Oakland for a term of ten years, with an option to extend an additional five years, and, be it

FURTHER RESOLVED: The City Administrator is authorized to appropriate grant funds not to exceed \$375,000 to Clean Energy to offset the cost of construction of the refueling station, using Fund 4100, Org 92441, and accept royalties to the City from Clean Energy for deposit into Fund 4100, Org 30541, Account 45119.

In Council, Oakland, California, December 5, 2006

Passed By the Following Vote:

AYES- BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, AND
PRESIDENT DE LA FUENTE

NOES-

ABSENT-

ABSTENTION-

ATTEST: _____
LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California