

THE BOARD OF SUPERVISORS OF THE COUNTY OF STANISLAUS  
ACTION AGENDA SUMMARY

DEPT: General Services Agency

BOARD AGENDA # \*B-2

Urgent  Routine

AGENDA DATE March, 9, 2010

CEO Concurs with Recommendation YES  NO   
(Information Attached)

4/5 Vote Required YES  NO

SUBJECT:

Approval to Issue Invitation to Bid #09-49-TRS for Stanislaus County Natural Gas Supply Requirements

STAFF RECOMMENDATIONS:

Authorize General Services Agency - Purchasing to issue Invitation to Bid 09-49-TRS for County natural gas supply requirements

FISCAL IMPACT:

Stanislaus County has previously purchased the majority of its natural gas requirements from Pacific Gas and Electric Company (PG&E). Additionally, the County had one natural gas purchase agreement in place with the California Department of General Services (DGS) since July 2003, servicing County Center II Health Services Agency (HSA) complex. The purchase agreement with DGS will expire June 30, 2010.

(Continued)

BOARD ACTION AS FOLLOWS:

No. 2010-110

On motion of Supervisor DeMartini, Seconded by Supervisor Chiesa and approved by the following vote,

Ayes: Supervisors: O'Brien, Chiesa, Monteith, DeMartini, and Chairman Grover

Noes: Supervisors: None

Excused or Absent: Supervisors: None

Abstaining: Supervisor: None

1) X Approved as recommended

2) Denied

3) Approved as amended

4) Other:

MOTION:

*Christine Ferraro*

ATTEST: CHRISTINE FERRARO TALLMAN, Clerk

File No.

**FISCAL IMPACT: (CONTINUED)**

The County's natural gas requirements typically range from \$450,000 to \$530,000 (representing the consumption of 450,000 to 530,000 therms) each fiscal year. It is anticipated that this expense could be reduced approximately 9%, with a savings estimated at \$40,500 annually, by entering into a County-wide purchase agreement for the purchase of natural gas.

At this time, GSA – Purchasing is requesting approval from the Board of Supervisors to issue Invitation to Bid #09-49-TRS for the purpose of receiving pricing from qualified organizations for the provision of the natural gas requirements for the County; with pricing to be received by April 6, 2010. GSA – Purchasing will review all bid documents received and, based on the pricing submitted, return to the Board with a recommendation for entering into a natural gas purchase agreement.

**DISCUSSION:**

Historically, the County has purchased the majority of its natural gas requirements from PG&E. Since July 1, 2003, the County has had one natural gas service agreement in place with DGS. The DGS Agreement however, services only one County location, the HSA complex, and all other county facilities are serviced by PG&E. Prior to the installation of modernized heating, ventilation and cooling (HVAC) equipment at the County Center II HSA complex, HSA was the largest consumer of natural gas, necessitating the DGS Agreement.

The DGS Agreement offers a volume discount on natural gas purchases but is restrictive in that it requires the County to predict its natural gas demand (Monthly Demand Quantities or MDQ) with a margin of error of 2%. Failure to accurately predict the MDQ results in a financial penalty.

The DGS Agreement automatically renews on July 1<sup>st</sup> of each year unless the County notifies DGS by the prior February 15th of its intention to cancel the DGS Agreement. After consultation with HSA, Stanislaus County General Services Agency (GSA) – Purchasing sent notice of termination to DGS on February 3, 2010 on behalf of HSA.

Although the County's natural gas supply requirements are traditionally very stable, there has been some variance in natural gas consumption in prior years due to changes in HVAC equipment. For example, in Fiscal Year 08-09, the County decommissioned a 400 ton absorption chiller at the County Center II HSA complex. The total project budget was \$194,849 and funded out of existing appropriations from the Chief Executive Office Plant Acquisition budget. This resulted in a considerable reduction in natural gas demand reducing demand from 343,805 therms to 106,698 therms for an annual savings of \$188,397. With a reduced demand for natural gas, the DGS Agreement is not providing the volume discounts experienced in prior years, resulting in higher natural gas costs at the County Center II HSA complex.

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Supply Requirements  
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Should the Board approve the Invitation to Bid #09-49-TRS, GSA – Purchasing anticipates selecting a qualified bidder and issuing one two-year agreement for the supply of the County's natural gas, with the option to extend the agreement for three (3) additional one (1) year extension periods, not to exceed a total contract term of five (5) years.

As part of the bid document, the County is requesting contract pricing that allows for the County to consume as little as 90% of the contracted MDQ or as much as 110% of the contracted MDQ without penalty. This will provide flexibility should future increases or decreases occur in the County's natural gas demand.

With the Board's approval, GSA – Purchasing will issue Invitation to Bid #09-49-TRS with pre-conference to be held on March 23, 2010 and a response date of April 13, 2010. GSA – Purchasing will return to the Board requesting authorization to enter into an agreement for the purchase of natural gas with the lowest qualified bidder.

As a result of awarding this Bid, the County does not expect to incur any conversion costs or experience any interruption of service during the transition to the new vendor.

**POLICY ISSUES:**

This request to issue the Invitation to Bid #09-49-TRS supports the Board's priority of *Efficient delivery of public services* by negotiating competitive pricing for natural gas requirements.

**STAFFING IMPACT:**

Existing GSA – Purchasing staff will monitor and oversee any contract that results from this bid process. There is no additional staffing impact associated with this item.

**CONTACT PERSON:**

Bob Carpenter, Facilities Maintenance Manager, Telephone: 652-0670

ATTACHMENTS AVAILABLE  
FROM YOUR CLERK