

Increase Funding & Exercise Option Year for Natural Gas Fuel for Compressed Natural Gas Buses

Committee of the Whole

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Brad J. Cummings
Vice President
Procurement

Darryl E. Spencer, P.E.
Sr. Assistant Vice President
Engineering



Today's Action

- Approval of a contract modification to the current one-year contract with one, one-year option, with the Texas General Land Office (GLO) to increase funding of the remaining base term and exercise the option year to provide DART natural gas fuel for Compressed Natural Gas (CNG) buses.
- Approval of this contract will help achieve Board Strategic Priority 2: Provide stewardship of the transit system, agency assets and financial obligations; and Priority 5: Enhance DART's role as a recognized local, regional and national transportation leader.



Business Purpose

- DART is required to purchase the appropriate fuel to operate its fleet of up to 559 vehicles that are using Compressed Natural Gas (CNG).
- DART has three CNG fueling stations, one at each Bus Operations Facility, that have an ongoing need for the supply of natural gas.
- Both actions will assure an uninterrupted supply of fuel.

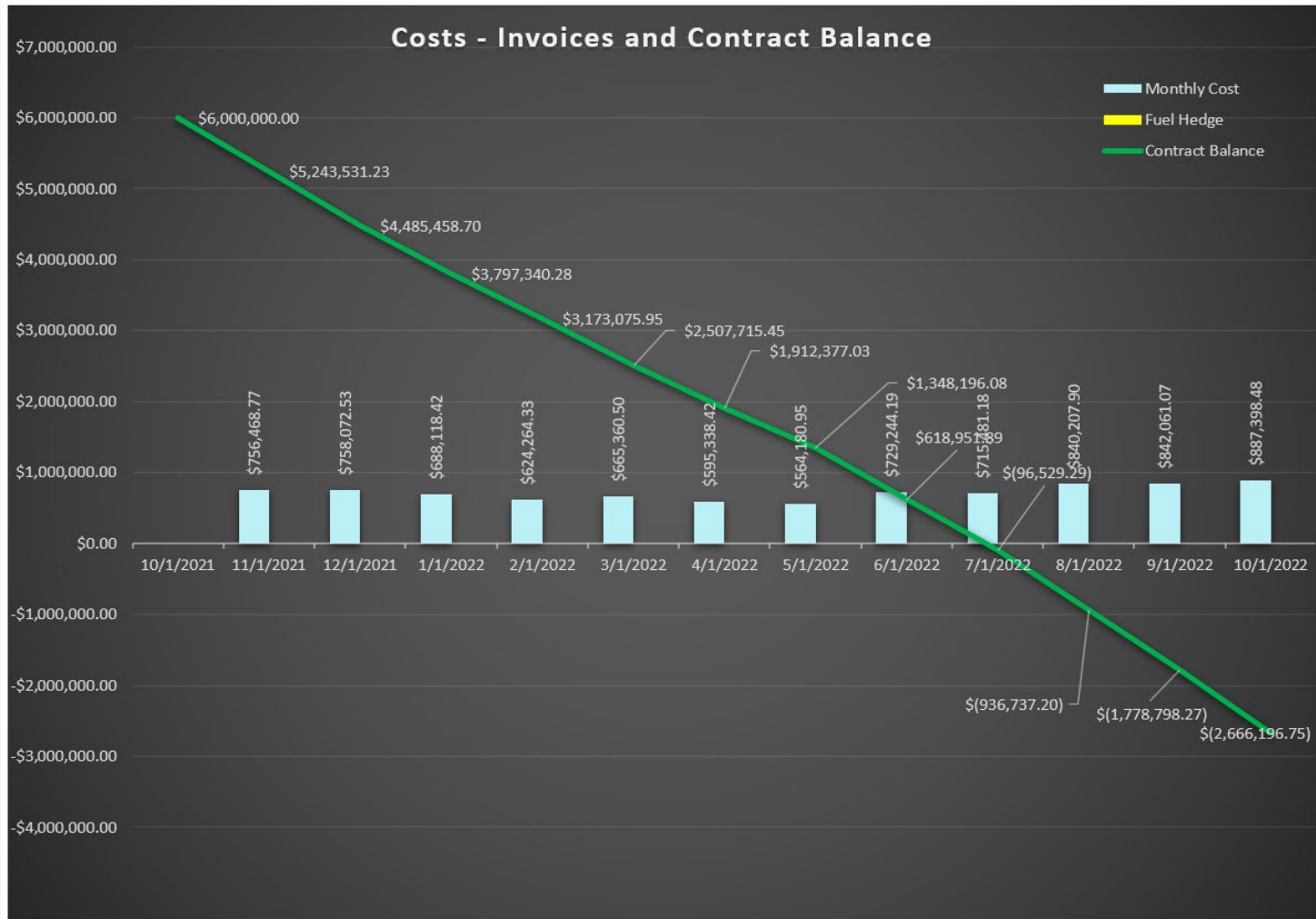


Contract Summary

- This is a one-year contract with a one-year option that began October 1, 2021.
- This contract pricing is not fixed and fluctuates with the market.
- Budget certainty is achieved through a finance hedge and RNG agreements outside of the contract.
- The contract NTE amount is based on service planning miles and forecasted costs of natural gas.



YTD Actual and Projection



Factors Leading to Cost Increases

- Unanticipated spike in natural gas costs. Experienced 68% increase from FY 2021 to Q1 of FY 2022.
- Other Impacts:
 - Network redesign not finalized until budget for FY 2022 had already been approved.
 - Bus fleet mix changed completely. Smart buses (with better fuel economy) were removed from service and some Smart Bus routes were switched to large bus service.
 - Cold snap resulted in >\$130K system operating cost expense from GLO.
- With the next fiscal year, the fuel cost will jump from Waha + \$0.53 to Waha + \$2.50 (200% increase).

Agency-Wide Offsets to Fuel Costs

NG Fuel Hedge

Month	Amount
October, 2021	\$202,000
November, 2021	\$266,000
December, 2021	\$186,000
January, 2022	\$165,000
February, 2022	\$152,000
March, 2022	\$97,000
April, 2022	\$158,000
May, 2022	\$322,000
TOTAL	\$1,548,000

Renewable Natural Gas Credits

Month	Amount
October, 2021	\$154,804
November, 2021	\$145,518
December, 2021	\$160,596
January, 2022	\$159,818
February, 2022	\$129,975
March, 2022 (est)	\$116,804
TOTAL	\$867,516

Expenditure Justification

Board-Approved Expenditure Justification Approval to Increase Funding and Exercise Option Year for Natural Gas (NG) Fuel for Compressed Natural Gas (CNG) Buses

PURPOSE OF CONTRACT/ AGREEMENT	DOLLAR AMOUNT	CONTRACT TERM	TYPE OF PROCUREMENT	<ol style="list-style-type: none"> 1. Is it necessary? 2. Does it need to happen now? 3. Can it be phased? 4. Can we reduce the amount?
To provide natural gas required to fuel CNG Buses	\$ 32,000,000	One-year, with one, one-year option	Indefinite Delivery (ID) / Indefinite Quantity (IQ)	<ol style="list-style-type: none"> 1. Yes, DART’s bus fleet requires CNG fuel in order to operate and provide service. 2. Yes, the current contract expires September 30, 2022, and supply will be interrupted if the option is not exercised. 3. No, the contract provides an uninterrupted supply of natural gas to operate DART’s CNG bus fleet. 4. No, the amount is based on projected fleet miles for balance of FY 2022 and for FY 2023 option year.

Recommendation

Approval of a resolution authorizing the President & Chief Executive Officer or her designee to:

1. Increase the funding of the base term of the contract by \$7,000,000; and
2. Exercise the \$19,000,000 option year, for a new total authorized amount not to exceed \$32,000,000.



Questions?

