



Legislation Text

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Agenda Information Sheet

DEPARTMENT: Solid Waste & Recycling Department

CM/ ACM: Mario Canizares

Date: August 14, 2017

SUBJECT

Receive a report, hold a discussion, and provide a recommendation regarding a compressed natural gas (CNG) fueling facility at the intersection of Mayhill Road and Spencer Road.

BACKGROUND

Since October 2012, the Solid Waste Department has provided the Public Utilities Board (PUB) and the City Council a number of briefings regarding the department's plans to pursue compressed natural gas (CNG) as an alternative fuel. As those discussions evolved, plans were approved by the PUB and Council to construct a CNG fueling station, to offer public CNG sales, and to convert the Solid Waste fleet to the CNG fuel system.

In fall of 2013, the department began converting the Solid Waste fleet to the CNG fuel system and commenced negotiations with a firm to construct a CNG fueling station. Shortly thereafter, negotiations with the firm stalled, and the department received Council approval to contract with Ultimate CNG (UCNG) for mobile fueling services on April 15, 2014. The initial agreement was for \$120,000 for a contract term of three years. Since that time, the department has remained on the mobile fueling platform and continued converting its fleet to the CNG fuel system. As the department's demands for CNG increased, the department twice received authority to amend the contract amount. As of November 2015, the contract for the mobile fueling system had grown to \$1.9 million.

During its August 22, 2016 meeting, the City Council awarded a \$2.7 million contract to Zeit Energy for the construction of the CNG fuel station. In September 2016, the Solid Waste Department received a \$600,000 grant from the Texas Commission on Environmental Quality (TCEQ) under the condition that the City make CNG fuel available through public sales for a period of no less than three (3) years. To date, \$201,368 of the grant has been expended on equipment for the fuel station.

In the last few weeks, staff has evaluated the financial impact of the department's investments into CNG. While fuel prices in 2012 may have made the project appealing at that time, the difference in market price between diesel and CNG has narrowed substantially. As a result, the fuel savings associated with CNG adoption no longer cover the costs associated with the fuel station or vehicle conversions (approximately \$40,000 each). Additionally, staff has learned that the fuel costs associated with the mobile fueling platform are not sustainable and immediate action should be taken to reduce further negative financial impact. To that end, staff has halted further CNG vehicle purchases and sought policy direction from the City Council

On July 24, staff provided a work session report to the PUB regarding various options to address CNG fueling costs for the existing fleet. Staff provided a similar presentation to the City Council on July 25, 2017. During this meeting, the Council directed staff to determine the availability and possible use of local CNG fuel stations. If a local source was not available, staff was directed to pursue the proposed CNG fueling station for City of Denton use only.

Staff conducted additional research and found a potential local CNG fueling option that is currently under consideration. However, the timing of the construction and configuration of this fueling station is uncertain at this point, and it is possible that this station may not be built at all. Staff performed analyses under the assumption that the station would be available soon, at the proposed location. The distance is approximately 20 miles round trip from Solid Waste operations at Mayhill Road. Staff performed an analysis using the current fleet of CNG vehicles, the time it would take to fully age out these vehicles (current to 2025), vehicle depreciation, additional fuel usage, and additional staff time to determine that this option would cost approximately \$3,208,154. This option has a higher degree of uncertainty, is substantially more expensive, and contains additional elements of risk such as transit time delays when compared to the proposed option of completing construction of the CNG fueling station at Mayhill for City of Denton use only.

RECOMMENDATION

Staff recommends completing construction of the CNG fueling facility for City of Denton use only.

ESTIMATED SCHEDULE OF PROJECT

If construction of the CNG fuel facility moves forward, staff estimates construction will be completed within a six month period.

PRIOR ACTION/REVIEW (Council, Boards, Commissions)

October 22, 2012 - PUB discussion regarding CNG

November 5, 2012 - City Council discussion regarding CNG

April 15, 2014 - Awarded a mobile fueling contract to Ultimate CNG

January 6, 2015 - First amendment to the contract with Ultimate CNG

November 9, 2015 - Second amendment to the contract with Ultimate CNG

August 22, 2016 - Awarded Zeit Energy a contract for CNG fuel facility construction

July 24, 2017 - PUB discussion regarding CNG

July 25, 2017 - City Council discussion regarding CNG

FISCAL INFORMATION

The construction of the CNG fuel facility will be funded from the Solid Waste Department's capital improvement program (CIP). The purchase of natural gas and additional operational expenses will be funded from the department's operating fund.

STRATEGIC PLAN RELATIONSHIP

The City of Denton's Strategic Plan is an action-oriented road map that will help the City achieve its vision. The foundation for the plan is the five long-term Key Focus Areas (KFA): Organizational Excellence; Public Infrastructure; Economic Development; Safe, Livable, and Family-Friendly Community; and Sustainability and

Environmental Stewardship. While individual items may support multiple KFAs, this specific City Council agenda item contributes most directly to the following KFA and goal:

Related Key Focus Area: Sustainable & Environmental Stewardship

Related Goal: 2.5 Develop Capital Improvement Program (CIP) based on community needs

EXHIBITS

1. Presentation

Respectfully submitted:
Ethan Cox, 349-7421
Director of Solid Waste