

SANTA BARBARA COUNTY BOARD AGENDA LETTER



Clerk of the Board of Supervisors
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Agenda Number:

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TO: Board of Directors
Laguna County Sanitation District

FROM: Phillip M. Demery
Director, Public Works Department

STAFF CONTACT: Mark A. Schelich, Deputy Director
Martin J. Wilder, District Manager, x8750

SUBJECT: Purchase of Natural Gas from California Department of General Services for the
Micro Turbine Cogeneration Project - Fourth Supervisorial District

Recommendation(s):

That the Board of Directors:

- A. Authorize the Public Works Director or his designee (Laguna County Sanitation District Manager) to execute a Natural Gas Services Program Gas Services Agreement with the California Department of General Services; and;
- B. Authorize the Public Works Director or his designee (Laguna County Sanitation District Manager) to execute a Master Service Contract with the Southern California Gas Company.

Alignment with Board Strategic Plan:

The recommendation(s) are primarily aligned with Goal No. 1, "An Efficient Government Able to Anticipate and Respond Effectively to the Needs of the Community," and Goal No. 2, "A Safe and Healthy Community in Which to Live, Work, and Visit."

Executive Summary and Discussion:

The Laguna County Sanitation District recently completed a micro turbine cogeneration project to generate electricity for the District's wastewater reclamation plant. The project consists of three 60 kW natural gas turbines and two 30kW methane turbines. The natural gas is provided by the Southern California Gas Company at the GN-10 rate and the methane gas is a byproduct of the primary digester.

The natural gas turbines generate electricity at a lesser cost than purchasing electricity directly from the Pacific Gas & Electric Company. The purchase of natural gas was initiated directly with the Southern California Gas Company on a conventional GN-10 rate.

Through a program administered by the California Department of General Services, Natural Gas Services (NGS), natural gas may be purchased at a reduced rate. Under this program, the District may participate in the bulk purchase of natural gas. The diverse usage and extremely large customer base helps maintain price stability. Specifically, the purchase of natural gas consists of the procurement and transportation costs. The NGS program removes the tariff on transportation and bills a fluctuating procurement cost to the user. The fluctuation in procurement costs are based on supply and demand and occur regardless of where the gas is purchased. Both the Southern California Gas Company and the State control procurement volatility with spot market purchases and long term contracts.

Under the NGS program, the rate would be changed from a bundled GN-10 “core” rate to a GT-F5 (for electric generation only) “non-core” rate. The core rate is firm or uninterruptible service while the non-core rate is interruptible service. Infrequent interruptions, if they occur, are not a problem for the District and there is a slight price break on interruptible service. While the commodity cost may vary, and could potentially decrease to the point the locked in rate is more than the conventional rate, this has not been the historical case in recent years. Assuming a monthly use of 6,000 therms, it is estimated that the District will reduce costs by \$1,200 per month (based on May 1, 2005 procurement costs) as shown in the attached Exhibit A.

Therefore, this action requests authorization to initiate a Gas Services Agreement with the California Department of General Services to lock in a rate in the NGS program for five years and to initiate a Master Services Contract with the Southern California Gas Company to change the billing rate to a non-core electric generation rate (GT-F5 rate).

Mandates and Service Levels:

There are no changes to service levels with this action.

Fiscal and Facilities Impacts:

Funding for the installation was through a COP and CPUC rebate. Energy savings finance the debt service on the COP over a five year period. Natural gas costs are budgeted in the fiscal year 2005/2006 budget. These additional savings in natural gas costs are included in the overall energy cost savings.

Special Instructions:

Please return a certified copy of the minute order to the Laguna County Sanitation District office (Public Works Department, Resource Recovery & Waste Management Division), attention Martin Wilder in Santa Maria, extension 8750. Upon receipt of the minute order, staff will coordinate execution of the agreements and forward a complete copy of each agreement to for the Clerk of the Board records to replace the unexecuted copies attached.

Concurrence:

County Counsel
Auditor-Controller

Current cost/therm through Southern California Gas Co:

GN-10 rate = \$0.49315/day customer charge
\$0.68976/therm procurement (May 2005)
\$0.267/therm transportation
\$0.0344/therm taxes and fees
\$0.99116/therm + \$14.79 customer charge for 30 days

Monthly bill approximately \$5,961.45 for 6,000 therms (bill actually based on tiered system).

Proposed cost/therm through State DGS NGS program:

GT-F5 rate = \$50.00 flat customer charge
\$0.707897/therm procurement (May 2005)
\$0.071/therm transportation
\$0.0065 DGS fee
\$0.7854/therm + \$50 fee

Monthly bill approximately \$4,762.40 for 6,000 therms.

The net savings per month based on gas usage of 6,000 therms would therefore be approximately \$1,199.05/month or \$0.1998/therm.