



Governance and Priorities Committee Report For the September 11, 2014 Meeting

To: Governance and Priorities Committee **Date:** September 2, 2014
From: Allison Ashcroft, Senior Planner, Environmental Issues
Subject: Fortis BC – Contribution Agreement CNG Vehicle Incentive Offer

Executive Summary

Staff recommend that Council provide authoritative approval to have the Mayor and Corporate Administrator execute a contribution agreement with Fortis BC Energy Vancouver Island (Fortis BC), in a form satisfactory to the City Solicitor, in order that the City can access available incentives for its 2014 acquisition of medium and heavy duty trucks utilizing compressed natural gas (CNG).

Council's authorization is required because the contribution agreement contains an indemnity clause.

Recommendation:

1. That Council authorize the Mayor and Corporate Administrator to execute a Contribution Agreement with Fortis BC, on terms and conditions satisfactory to the Director of Engineering and Public Works, and in a form satisfactory to the City Solicitor.
2. That Council ratify the motion to execute these agreements at the meeting of City Council on September 11, 2014.

Respectfully submitted,

Handwritten signature of Allison Ashcroft.

Allison Ashcroft
Senior Planner,
Environmental Issues

Handwritten signature of Ed Robertson.

Ed Robertson,
Assistant Director,
Public Works

Handwritten signature of Dwayne Kalynchuk.

Dwayne Kalynchuk, P.Eng.
Director of Engineering and
Public Works

Report accepted and recommended by the City Manager:

Date:

Handwritten signature of the City Manager.

Sept. 4/14

Background

In 2013, the City of Victoria's fleet was comprised of approximately 25 vehicles which run exclusively on CNG and used approximately 90,000 litres of CNG. These CNG vehicles include some of the City's specialty trucks, such as garbage packers, flat decks, and hotboxes, in addition to, some larger pick-up trucks and vans. Annually, a small percentage of the City fleet is retired and replaced (\$1.4 to \$2 million budgeted annually per 20 year capital plan). Upon retirement, the City is assessing the City's needs in order to optimize the size of our fleet and right-size our vehicles (assigning the right vehicle for the job). Additionally, tender documents for fleet acquisitions are also requesting that suppliers provide product options and pricing for alternative-fuel vehicles (hybrid, electric, CNG) in addition to conventional-fuel vehicles (gas and diesel) for similar vehicle specifications.

Fortis BC provides incentives for the acquisition of medium and heavy duty trucks. The incentive is calculated as 60% of the price differential between the CNG vehicles to be purchased and diesel powered vehicles having the same or similar attributes, subject to some maximum incentive caps based on vehicle/industry type.

The City is in the process of issuing tenders for its 2014 fleet acquisitions. Until the tenders are awarded, it is unknown how many CNG trucks will be acquired by the City in 2014. In order to ensure the City maximizes its potential to leverage Fortis BC incentives, the City submitted a CNG incentive offer application for the maximum potential number of eligible CNG vehicles that may be purchased in 2014. The incentive offer application does not commit the City to purchase these vehicles and the City is under no obligation at this time. Similarly, despite having received a Notice of Award from Fortis BC, they are also under no obligation to pay this incentive until a contribution agreement is executed between both parties.

Incentive Offer Process

1. *Application:* In March of 2014, the City submitted an application to Fortis BC under its CNG incentive offer (see attached Appendix 1) seeking incentives for up to 13 vehicles, and approximately \$240,000 in incentives.
2. *Notice of Award:* In August, 2014, the City received a Notice of Award from Fortis BC (see attached Appendix 2) approving, subject to the execution of a contribution agreement and purchase of the vehicles, incentives for six of the 13 vehicles. These 6 vehicles, if purchased as CNG would cumulatively cost approximately \$1 million, with a price differential from diesel of an estimated \$270,000, and be eligible for Fortis BC incentives of approximately \$160,000 in the aggregate.
3. *Contribution Agreement:* The Notice of Award requires that the City enter into a contribution agreement with Fortis BC by September 30, 2014. The specific commitments and incentive amounts to be included in the contribution agreement will not be known until the City completes its tender process and cost figures are obtained from tender proponents. Once completed, the City will know the precise number of CNG trucks it will acquire and the price differential/cost of these trucks for both diesel and CNG engines; and then, the City will be able to fill in the specifics of this contribution agreement and have it executed. The City Solicitor will review and approve the completed contribution agreement prior to its execution. See below for more detail regarding the key terms and conditions of the contribution agreement.
4. *Purchase Commitment:* The Notice of Award requires that the City purchase the vehicles to be contained within the contribution agreement by December 30, 2014 as evidenced by the issuance of purchase orders prior to this date.

Key Terms and Conditions of Contribution Agreement with Fortis BC

- Fortis BC will provide a financial incentive to the City for the purchase of preapproved heavy duty vehicles using CNG. Fortis BC has preapproved six such vehicles per the Notice of Award.

The specific amount of the incentive and timing of payments is to be determined based on the outcomes of the City's ongoing tendering process parties prior to execution of the contribution agreement and in a form satisfactory to the City Solicitor.

- In consideration of this contribution from Fortis BC, the City agrees to the following:
 - To fuel the vehicles subject to the Contribution Agreement exclusively with natural gas approved by Fortis BC during the term of the agreement.
 - To purchase a minimum amount of fuel from Fortis BC each year for the vehicles purchased through this contribution agreement. If actual fuel purchased is less than the minimum amount, the City will remit funds to Fortis for the difference.

The term of the agreement and the minimum fuel commitment is to be determined between negotiating parties to the satisfaction of the Director of Engineering and Public Works prior to execution of the contribution agreement and in a form satisfactory to the City Solicitor.

- Contained within the contribution agreement is an indemnity clause to hold harmless Fortis BC from all expense, risks, and liability with respect to any injury or damage of property arising from the operation of the vehicles incentivized by Fortis and any breach by the City of any provisions to the contribution agreement.

The specific agreed upon terms of the indemnity are to be determined between negotiating parties prior to execution of the contribution agreement and in a form satisfactory to the City Solicitor.

Recommendation:

1. That Council authorize the Mayor and Corporate Administrator to execute a Contribution Agreement with Fortis BC, on terms and conditions satisfactory to the Director of Engineering and Public Works, and in a form satisfactory to the City Solicitor.
2. That Council ratify the motion to execute these agreements at the meeting of City Council on September 11, 2014.

Attachments.

2014 Natural Gas for Transportation (NGT) Natural Gas Vehicle Incentive Program



Email the completed application form to ngt@fortisbc.com.

Applicant information

Company name The Corporation of the City of Victoria		Phone number 250-361-0409	
Address #1 Centennial Square		City/town Victoria	Province BC
Contact name Ric Bains		Title Manager Operations and Fleet	Postal code V8W 1P6
Email rbains@victoria.ca		Industry segment (ie. forestry, waste, food grade etc.) Municipal Government	

NSC (NATIONAL SAFETY COUNCIL) # 200-093-453

Fleet information

Description of operating service

Municipal Public Works

Is your operating service secured by firm contracts? (Please provide details)

No

Total fleet size 290 Vehicles	What percentage of your natural gas fleet (by mileage) will operate in of B.C.? 100%
Vehicles will be <input checked="" type="checkbox"/> Owned <input type="checkbox"/> Leased	How many return to base fleet locations do you have across B.C.? 1

Please list the return-to-base fleet locations you have across British Columbia:

417 Garbally Road, Victoria, BC V8T 2J9

267,165km

What are the total operating kilometers per year for your company's entire fleet of heavy duty vehicles in British Columbia?

267,165 km

Vehicle information

-Price Differential = Price of natural gas vehicle (vehicles + shipping)-Estimated capital cost of diesel equivalent (vehicle+ shipping).

-Please express in pre tax dollar amounts.

-If you are applying for an incentive for more than one type of vehicle, enter the vehicle information in separate rows.

-Attach scanned copy(s) of detail truck specifications and quotes from the vehicle dealer.

Expected fuel type

☒ CNG ☐ LNG

Vehicle model	Expected service life (Yrs)	Quantity	Price differential (\$)	Subtotal
See Attached Spreadsheet				

Total X = \$

Annual liters of diesel fuel displacement calculation

-Please provide the vehicle model, average annual kilometers travelled and the annual diesel consumption per vehicle by vehicle model.

-Attach scanned copies of the fuel economy data and any other supporting document for the vehicle(s).

Vehicle model	Quantity	Average annual km traveled per diesel vehicle replaced by Natural Gas Vehicle	Average annual diesel consumption (L) per vehicle
See Attached Spreadsheet			

Proposed natural gas fueling plan

1. Do you currently have a natural gas refueling facility?

☒ Yes, own refueling facility (proceed to question two)

☐ Yes, facility owned by card lock service providers: _____ (name service provider) (proceed to question two)

☐ No, not at this time (proceed to question three and four)

2. If you currently have a refueling facility, please list your refueling location(s)

417 Garbally Road, Victoria, BC

3. If you currently don't have a refueling facility are you planning to

☐ Build your own refueling facility that uses natural gas from FortisBC?

☐ Contract with a service provider(s)?

List the name(s) of the service provider(s) _____

☐ Partner with other fleet(s)?

List the name(s) of the fleet partners _____

4. If you currently don't have a natural gas refueling facility, explain your fueling plan in detail (eg. Planned fueling method, fueling location, estimate time to start refueling.

N/A

Natural gas vehicle implementation plan

Expected on-road time (Yr/Mth)	Number of vehicles	End-to-end route plan
See attached spreadsheet		

Additional Information

Applicants may include additional information which they think may assist FortisBC in evaluating your application.

Currently in the process of replacing our 18 year old CNG compressor and fueling station.

How did you hear about the NGT Vehicle Incentive program?

- ☐ FortisBC website
 ☒ FortisBC sales team
 ☐ FortisBC press release
 ☒ Email from FortisBC
☐ Social media
 ☐ Radio
 ☐ Newspaper/Magazine article (please specify: _____)
☐ Industry association (please specify: _____)
 ☐ Online or print ads (please specify: _____)
☐ Other (please specify: _____)

Schedules and attachments

- Detail truck specifications and quotes from dealer;
- Documentation confirming the amount of the diesel fuel displaced by natural gas. Documentation may include fleet mileage records or comparable information;
- National Safety Code (NSC) Carrier Profile Summary documentation

Applicant's declaration

1. I/we certify the information in this Application is accurate and complete and acknowledge FortisBC will be relying on this information to determine, among other things, my/our financial situation and suitability/eligibility for funding through the NGT Vehicle Incentive Program. I/we further agree to provide FortisBC with additional information, upon request.
2. I/we certify we have read and understand all the eligibility criteria of the program.
3. I/we certify we have read and understand all the terms and conditions of the program, including as contained in the contribution agreement and instruction to the applicant.
4. I/we understand FortisBC and its representative request, collect, retain, disclose and otherwise use information about my/our business operations (whether contained in this Application or obtained by FortisBC from me/us or others, including credit reporting, agencies/credit bureaus, financial institutions, or references I/we have provided) to determine my/our financial situation and suitability/eligibility for funding through the NGT Incentive Program, to ensure ongoing compliance with and eligibility with respect to FortisBC funding requirements and obligations, as an aid to identify me/us for credit history file matching purposes and otherwise as permitted or required by law, and I/we hereby consent to such request, collection, retention, disclosure and use.
5. I acknowledge and agree FortisBC may share this Application with its affiliates and with their employees, representative and contractors for the purpose of review, award and implementation of the program.
6. We hereby consent to FortisBC providing our name, contact information and vehicle and fueling requirement details to third party fueling service providers on our behalf to enable them to market their fueling services to us.
7. I/we acknowledge and agree FortisBC and its affiliates, and their respective employees, contractors, consultants and agents (collectively, the "Releasees") will not under any circumstances whatsoever, be liable for any costs, expenses, claims, losses, damages or liabilities (collectively, "Claims") incurred or suffered by me/us as a result of, arising out of, or related to the NGT Incentive Program, including that may arise with respect to the preparation, negotiation, acceptance or rejection of any Application, the cancellation of the Application process or the Program, either before or after submission of Applications or issuance of notice of award. By submitting this Application, I/we hereby waive and release the Releasees from and against any Claims and to indemnify and hold harmless the Releasees against any Claims brought by third parties against the Releasees which arise out of or are related to the Application and award process or the Program generally.

Signed on behalf of the Applicant by its authorized signatory(ies):

Ric Bains
Applicant name (please print)

[Signature]
Applicant signature

27 March 14.
Date (Yr/Mth/Day)

City of Victoria Natural Gas For Transportation (NGT) Natural Gas Vehicle Incentive Program Application Detail

The table below includes CNG procurement for 2014 - All CNG vehicles (Light Duty, Medium Duty, Heavy Duty) for City of Victoria.

Note:

1. Light Duty purchases will seek grants through Fortis Light Duty Vehicles Incentive Program AFTER vehicle purchase. Details of Light Duty Unit replacement are not provided at this time as Fortis offer for Light Duty CNG vehicles does not require preapproval for funding.
2. Medium and Heavy Duty purchases will seek grants through Fortis Natural Gas Vehicle Incentive Program BEFORE purchase (3/31/14 offer deadline). Once application is approved by Fortis, contribution agreement MUST be entered into with Fortis by 6/30/14, and purchase orders MUST be issued by City by 9/30/14. Supporting documentation for CNG med and heavy duty vehicles (truck specs, fuel efficiency, supplier quotes for CNG and diesel-equivalent) will be made available to Fortis after completion of competitive tender process when the exact purchase terms are finalized. Exact vehicle replacement models may change, but will be of similar make/model/size. Costs provided in table below are best estimates provided by suppliers.

The City of Victoria Current Unit in Service - Report on Fuel and Odometer Readings Jan.1/11-Dec.31/13 (3 Year Avg)											Projected 2014 Unit Replacement						
Unit #	Year	Make	Model	GVW (kg)	Duty Type Lt/ Med/Hvy	Fuel Type	Avg Annual fuel consumption (lts)	Avg Annual Km's	Avg Annual lts/km	Avg Annual km/lts	New Vehicle Model Description	Duty Type Lt/ Med/Hvy	Expected Service life	On Road Expected Date	GVW (kg)	Pre Tax Diesel Purchase Cost \$	Pre Tax CNG Purchase Cost \$
116	2002	GMC	Sonoma	2178	Lt	Gas	1,423	8,581	0.17	6.03							
123	2000	Chevy	2500	3901	Lt	Gas	1,487	5,697	0.26	3.83							
128	1995	GMC	Van 2500	2929	Lt	Gas	705	3,275	0.22	4.64							
T135	1995	Ford	Ranger	2150	Lt	Gas	923	3,291	0.28	3.57							
138	2001	Ford	F350	4490	Lt	Gas	4,430	16,065	0.28	3.63							
139	1995	Ford	E250	3351	Lt	Gas	919	2,883	0.32	3.14							
161	1991	GMC	Safari	2449	Lt	Gas	504	2,870	0.18	5.70							
177	1993	Chevy	Sierra 2500	3900	Lt	Gas	924	3,301	0.28	3.57							
203	2011	GMC	Sierra 1500	3006	Lt	Gas	2,429	10,523	0.23	4.33							
200	1991	International	4700	9725	Med	Diesel	2,526	6,706	0.38	2.65	Freightliner M2-112	Hvy	15	01-Dec-14	\$16,293	\$ 126,009	\$ 171,009
264	1993	International	4700	11567	Med	Diesel	1,608	4,401	0.37	2.74	Freightliner M2-112	Hvy	15	01-Dec-14	\$16,293	\$ 126,009	\$ 171,009
267	1996	International	4700	13409	Hvy	Diesel	3,071	6,035	0.51	1.97	Freightliner M2-112	Hvy	15	01-Dec-14	\$16,293	\$ 126,009	\$ 171,009
269	1996	International	4700	13409	Hvy	Diesel	2,136	4,455	0.48	2.09	Freightliner M2-112	Hvy	15	01-Dec-14	\$16,293	\$ 126,009	\$ 171,009
270	1996	International	4700	13409	Hvy	Diesel	4,632	12,899	0.36	2.78	Freightliner M2-112	Hvy	15	01-Dec-14	\$16,293	\$ 126,009	\$ 171,009
276	1996	International	4700	13409	Hvy	Diesel	1,586	2,796	0.57	1.76	Freightliner M2-112	Hvy	15	01-Dec-14	\$16,293	\$ 126,009	\$ 171,009
284	1997	GMC	C&C Dump	5513	Med	Diesel	1,468	5,166	0.28	3.52	F350 / GMC35000	Med	15	01-Dec-14	\$ 6,350	\$ 36,000	\$ 47,000
290	1994	Chevy	Utility	6803	Med	Gas	3,731	7,522	0.50	2.02	F550 / GMC5500 Series	Med	15	01-Dec-14	\$ 8,845	\$ 74,000	\$ 85,000
295	1995	GMC	Utility	4665	Lt	Diesel	856	3,160	0.27	3.69	F350 / GMC35000	Med	15	01-Dec-14	\$ 6,350	\$ 54,000	\$ 65,000
300	1989	International	Flatdeck	13000	Hvy	Diesel	1,079	2,648	0.41	2.45	F450 / GMC4500 Series	Med	15	01-Dec-14	\$ 7,257	\$ 69,973	\$ 80,973
530	1995	GMC	Grumman	6395	Med	Gas	2,894	4,787	0.60	1.65	Class 4	Med	15	01-Dec-14	\$ 6,531	\$ 74,000	\$ 85,000
532	2001	International	Ladder	11567	Med	Diesel	3,420	6,683	0.51	1.95	Class 6 / class 7	Hvy	15	01-Dec-14	\$16,818	\$ 140,000	\$ 185,000
570	2003	Johnson	Sweeper	10772	Med	Diesel	6,710	7,756	0.87	1.16	Global	Med	12	01-Dec-14	\$ 5,455	\$ 185,000	\$ 216,000
537	1989	Case	W20 Loader	11365	Med	Diesel	1,945	NA	NA	NA	NA - Currently unavailable in CNG			01-Dec-14		\$ 1,389,027	\$ 1,790,027

Light Duty Vehicle - <5,360 kg
Medium Duty Vehicle - >5,360kg but <11,793kg
Heavy Duty Vehicle - >11,793kg

Incremental Cost CNG vs. Conventional Diesel \$ 401,000
Fortis NG Vehicle Incentive Program Offer 60%
Potential Fortis funding \$ 240,600

* Reapproved for Funding by Fortis BC
is Notice of Award.

Appendix 1
P 4/4



16705 Fraser Highway
Surrey, BC V4N 0E8
www.fortisbc.com

August 13, 2014

The Corporation of the City of Victoria
#1 Centennial Square
Victoria, BC, V8W 1P6

Dear Ms. Ashcroft:

Re: Notice of Award – FortisBC Vehicle Incentive Program

Thank you for your application and interest in the FortisBC Vehicle Incentive Program. FortisBC has completed the initial evaluation of your application and we are pleased to inform you that, subject to FortisBC's approval of the vehicle purchase orders, confirmation of the price differential and execution of a Contribution Agreement, you have been awarded incentives for a total of 6 natural gas vehicles.

The amount of the incentive will be calculated at approximately 60% of the price differential between the vehicles to be purchased and diesel powered vehicles having the same or similar attributes (excluding any optional add-ons such as extended warranties and post outfitting expenses) and may be subject to a maximum incentive cap based on vehicle/industry type.

This Notice of Award is issued to enable you to start the vehicle purchase process but it is not a guarantee that FortisBC will make any or all of the contributions towards the purchase of any vehicles. Any contributions will only be made by FortisBC upon both parties having signed the Contribution Agreement and in accordance with and subject to the terms of the Contribution Agreement. Please be advised that if you proceed with vehicle purchase prior to the Contribution Agreement being fully executed, you do so at your own risk.

In order to receive FortisBC funding, and to determine the amount of funding, please provide the following to NGT@fortisbc.com.

1. **Signed Contribution Agreement:** A current form of Contribution Agreement filled in with information from your application form. The form has been attached. Please sign and return the contribution agreement to ngt@fortisbc.com no later than September 30, 2014; and
2. **Vehicle Purchase Order:** Please submit a copy of the vehicle purchase order no later than December 30, 2014 that shows:
 - a. the number of vehicles ordered, vehicle model, vehicle type and price;
 - b. price comparison of the natural gas vehicle and a comparable diesel vehicle.

Please note, vehicle orders initiated or purchases completed prior the issuance date of this Notice of Award are not eligible for funding.

Upon receipt and review of the foregoing information, FortisBC may request additional documentation or seek clarification.

Failure to submit the foregoing documentation and information by the deadlines set out above may result in this Notice of Award being revoked.



16705 Fraser Highway
Surrey, BC V4N 0E8
www.fortisbc.com

The information set out above and any information contained in your application must be true and accurate as of the date of the execution of the Contribution Agreement. You must notify us of any changes to the information as soon as possible.

If you have any questions, please send an email to: NGT@fortisBC.com or call your account representative.

Sincerely,
Energy Products & Services
FortisBC Energy Inc.