

PORT OF SEATTLE
MEMORANDUM

COMMISSION AGENDA
ACTION ITEM

Item No.	<u>5h</u>
Date of Meeting	<u>May 14, 2013</u>

DATE: April 29, 2013
TO: Tay Yoshitani, Chief Executive Officer
FROM: David Soike, Director, Aviation Facilities and Capital Program
SUBJECT: Amendments to the Contract to Provide Natural Gas for the Transit Operations Center

Amount of This Request: \$0 **Source of Funds:** Airport Development Fund and Customer Facility Charges

Est. State and Local Taxes: \$1,170,000 **Est. Jobs Created:** N.A.

Est. Total Contract Value: \$12,000,000

ACTION REQUESTED:

Request Commission authorization for the Chief Executive Officer to execute amendments to the existing contract starting June 1, 2013, with CMS Natural Gas to provide natural gas for Seattle-Tacoma International Airport extending through 2018 and to include provision of natural gas for the Transit Operations Center through 2018 for an estimated total contract value not to exceed \$12,000,000. The resulting contract will be structured as a one-year agreement with up to four years of additional service.

SYNOPSIS:

Puget Sound Energy (PSE) currently provides natural gas to the Airport and the Transit Operations Center. In August 2012, the Port competitively procured the provision of natural gas for the Airport. The solicitation was for the provision of natural gas for one year with four additional option years. The solicitation also provided the option for the Port to expand natural gas service to the Transit Operations Center. On August 28, 2012, Commission authorized the CEO to execute a contract up to \$2,000,000 for one year for the Airport terminal building only, with four one-year options. CMS Natural Gas was selected through this competitive selection process and will begin providing natural gas to the Airport and Transit Operations Center June 1, 2013.

This request is to authorize the CEO to execute amendments to cover (1) the remaining 4-year period for the Airport terminal building and (2) provision of natural gas at Transit Operations Center through June 2018.

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BACKGROUND:

Technology developments in the last few years have greatly increased the supply of natural gas in North America. The U.S. now produces more natural gas than it consumes and has become a net exporter of natural gas. This excess supply of natural gas has caused significant downward pressure on the local index and shorter-term markets. By executing this contract, the Port expects to reduce its natural gas expenses by approximately 10%.

The Airport is comprised of over 3,000,000 square feet of terminal space and operates 24 hours a day, seven days a week. Natural gas is utilized at the Airport's central mechanical plant boilers to provide heating to the Airport terminal building. The Airport's central plant consumes approximately 2,700,000 therms of natural gas annually.

The Transit Operations Center provides fueling for 45 Compressed Natural Gas (CNG) buses. Of these 45 buses, 29 are used to support the Rental Car Facility operations and 16 are used to support employee parking. The Transit Operations Center utilizes approximately 500,000 therms of natural gas annually.

FINANCIAL IMPLICATIONS:

Budget Status and Source of Funds:

The annual expenses included within this contract are incorporated into the 2013 operating budget and future cost will be included in future operating budgets. The natural gas consumed at the Airport will be funded by the Airport Development Fund (ADF). The consumption for the Transit Operations Facility will be funded by both the ADF and Customer Facility Charges (CFCs) in accordance with the split between employee parking buses (36%) and rental car facility buses (64%).

STRATEGIC OBJECTIVES:

Contracting for natural gas supports the Port Century Agenda strategic objective to advance this region as a leading tourism destination and business gateway by meeting the airport business plan objectives of reducing airline cost per enplanement without compromising operational and capital needs. Natural gas is currently our cleanest fuel option and this contracting choice upholds our strategic objective to be the greenest and most energy efficient port in North America.

ENVIRONMENTAL SUSTAINABILITY:

Natural gas is a cleaner source of fuel and is an important part of the Port's sustainable energy future.

BUSINESS PLAN OBJECTIVES:

Contracting for natural gas energy services supports the goal to reduce airlines cost per enplanement without compromising operational and capital needs.

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ALTERNATIVES CONSIDERED AND THEIR IMPLICATIONS:

Alternative 1 – Continue to receive natural gas services for the Bus Maintenance Facility from Puget Sound Energy without competing the service. This alternative is expected to result in approximately 10% higher costs. This is not the recommended alternative.

Alternative 2 - Authorize the Chief Executive Officer to execute amendments to purchase natural gas and energy services for the Airport terminal building and the Transit Operations Center from CMS Natural Gas. The alternative is estimated to reduce natural gas expenses by approximately 10%, and is expected to reduce airline cost per enplanement. The resulting contract will be structured as one-year agreements with up to four years of additional service. **This is the recommended alternative.**

PREVIOUS COMMISSION ACTIONS OR BRIEFINGS:

- September 11, 2012, the Commission authorized the CEO to execute a contract for natural gas for Seattle-Tacoma International Airport, Main Terminal Building.