



## CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

### AGENDA ITEM

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Report: Agreement for Compressed Natural Gas (CNG) Fueling Station Operations and Maintenance, Renewable Natural Gas (RNG) Procurement and Management, Credits Administration, and the Replacement of CNG Fueling Station Equipment

1. Resolution dispensing with competitive bidding and authorizing the City Manager, or a designee, to execute an agreement, subject to approval as to form by the City Attorney, with Clean Energy Fuels for CNG fueling station operations and maintenance, RNG procurement and management, credits administration, and the installation of replacement CNG fueling station equipment.
2. Resolution of appropriation of \$2,540,400 in Measure M Local Return funds for the replacement of fueling station equipment.

### COUNCIL ACTION

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**Item Type:** Action Item

**Approved for** April 29, 2025 **calendar**

### EXECUTIVE SUMMARY

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The City of Glendale contracts with Clean Energy Fuels to provide a turnkey CNG fueling station for Glendale's transit, refuse and remaining fleet of CNG vehicles. The agreement is ending its fifteenth year, with an additional five-year term available. Rather than extend the existing agreement, staff proposes establishing a new agreement with Clean Energy Fuels incorporating new equipment and new terms more favorable to the City. The new proposed agreement is intended to share new credits, including Low Carbon Fuel Standard ("LCFS") and Renewable Identification Number ("RIN").

Through this item, staff requests that the City Council dispense with competitive bidding and authorize the City Manager or a designee to execute a new agreement accepting Clean Energy Fuel's CNG station upgrade, operations, maintenance, RNG and general fueling services proposal.

### RECOMMENDATION

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Adopt a resolution dispensing with competitive bidding and authorizing the execution of a 10-year service agreement with Clean Energy Fuels for CNG fueling station operations and maintenance, RNG procurement and management, credits administration, and the replacement of CNG fueling station equipment.

## **BACKGROUND**

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In 2006, the City of Glendale released a request for proposals (RFP) for the Design, Construction, Operation, and Maintenance of a CNG fueling facility. The evaluation panel ranked Clean Energy Fuels as first of the three proposers. After conducting reference checks, staff investigated then-current CNG fueling practices for public transit fleets in other jurisdictions and confirmed that none utilized the timed-fueling process called for in the RFP, as this type of system was considered unreliable. As a result, in January 2008, the City updated the Beeline Master Plan to incorporate a public CNG fueling facility that would accommodate the City's fleet of CNG vehicles and also be available for public use. As Clean Energy Fuels had demonstrated its capacity and qualifications in the RFP review process, staff was confident in the efficacy of negotiating a revised project plan for a public fast-fueling facility with Clean Energy Fuels. Staff and Clean Energy Fuels negotiated a turnkey CNG facility project whereby Clean Energy Fuels would design, build, operate, and maintain a public CNG fueling station on City property.

The turnkey proposal was 100% financed by Clean Energy Fuels during the life of the agreement. Additionally, it provided City vehicles with a preferential fuel rate; featured a maintenance program that used the latest technology; provided accountability and control of all aspects of the station; included emergency 24-hour, 7 day-per-week services and response; and afforded a \$0.05 royalty on CNG gasoline gallon equivalent (GGE) sold to the public.

By negotiating the turnkey project plan, the City was not burdened at the time with the estimated \$1.8 million capital costs or the \$60,000 annual maintenance and oversight costs for specialized equipment.

On September 9, 2008, the City entered into an agreement with Clean Energy Fuels for the design, construction, operation, and maintenance of a CNG fueling station for ten years, with two five-year automatic extensions, unless terminated beforehand. The compression fee added to each CNG GGE includes CNG fueling station equipment costs as well as operation and maintenance costs. Clean Energy Fuels owns the CNG station during and after the agreement term.

### CNG Fueling Station

The CNG station fuels the City's Beeline buses as well as refuse trucks, street sweepers, and all other remaining CNG powered vehicles, and is open to the public. In 2018, Amendment No. 1 added the installation of a City-owned fueling island at the new Beeline Maintenance Facility. Clean Energy Fuels supplies RNG, a biogas produced by capturing methane from organic waste and upgrading it to have the same properties as natural gas. Annually, the City consumes 600,000 GGEs, and the public consumes 400,000 GGEs. Clean Energy Fuels provides outstanding operations and maintenance services, resulting in no service disruptions.

Since the signing of the agreement, new CNG fuel credits have become available only to station owners. Additionally, the City's transition to battery-electric buses and other

vehicles has rendered the current agreement outdated. Staff determined that the existing agreement should not be extended for an additional five-year term for the following reasons:

- The compression fee should be reduced since the equipment is fully amortized (first 10 years);
- The City's share of the new RIN and LCFS credits should be increased;
- The City is unlikely to continue meeting the minimum of 33,000 GGEs per month required under the existing agreement as the City replaces CNG vehicles with electric vehicles; and
- Increasing the \$0.05 royalty fee should be considered.

Thus, staff sent a letter to Clean Energy Fuels on September 9, 2025, declining to pursue the additional five-year term.

#### Clean Energy Fuel Proposal

Staff believes that the City's best interests are served by owning the CNG fueling facility under a new agreement, continuing to receive reliable RNG, and decommissioning the station when the zero-emission transition is complete. By replacing the station equipment that is reaching the end of its useful life, as the station owner, the City would qualify for the RIN and LCFS credits, which provide an estimated annual savings of \$620,000 to \$1.2 million, depending on the Alternative Fuel Tax Credit (AFTC).

On March 21, 2025, Clean Energy Fuels provided a proposal for CNG fueling station operations and maintenance, RNG procurement and management, credits administration, and the installation of replacement CNG fueling station equipment. The City would pay \$3,940,400 to upgrade the CNG fueling station and become the owner, enabling the City to receive the RIN and LCFS credits that Clean Energy Fuels currently receives. Clean Energy Fuels will continue operation and maintenance services and continue retail fueling services. The new agreement is expected to have two separate pricing schedules: the first with Clean Energy Fuels owning the station while station equipment is upgraded, and the second with the City owning the station after the station upgrades are completed. The term of the agreement is anticipated to be 10 years.

This proposal allows for minimal disruptions in fuel delivery, which is key to keeping the City fleet operational, and providing a revenue stream that reduces the cost of fuel for both the Beeline and the remaining City CNG-powered fleet. The City currently spends \$1,288,000 for CNG fuel annually. During Phase 1, Clean Energy Fuels would source and install the CNG fueling station equipment and begin to share the RNG credits. Phase 1 is estimated to last no more than 18 months and save the City \$440,000. During Phase 2, the City would own the station and receive the credits. Phase 2 is estimated to last eight and one-half years and save the city \$1,120,000 annually. As the City transitions to zero-emission vehicles, the savings would decrease as less RNG is consumed.

Table 1: Clean Energy Fuels (CE) Proposal

	Current/CE Station Owner	Phase 1/CE Station Owner	Phase 2/City Station Owner
Compression Fee City Fleet (Cost)	\$720,000	\$600,000	\$300,000
Renewable Natural Gas Cost City Fleet (Cost)	\$588,000	\$588,000	\$588,000
Royalty Fee	(\$20,000)	(\$20,000)	\$0
AFTC	\$0	\$0	(\$500,000)
RIN	\$0	(\$220,000)	(\$440,000)
LCFS	\$0	(\$100,000)	(\$100,000)
Electricity (Cost)	\$0	\$0	\$320,000

Net Cost	\$1,288,000	\$848,000	\$168,000
Station Cost	\$3,940,400		

*Note: AFTC expired on December 31, 2024. An extension or a new program is in discussions.*

The cost of the CNG station equipment is \$3,940,400. The City and Clean Energy Fuels would apply the Alternative Fuel Infrastructure Tax Credit, which could lower the price by up to 30%. A new agreement would include standard provisions that have changed since the 2008 agreement.

#### Alternative to New Agreement

The City retains the option to exercise the last five-year extension under the original agreement terms. This alternative would not save the City money or allow the City to own the station. As the station owner, Clean Energy Fuels owns the equipment and can remove the equipment at the end of five years. RFPs for the installation of new station equipment and operation and maintenance services, as well as an RFP for the purchase of RNG and management of credits, would need to be issued several years before the end of the five-year extension. This alternative exposes the City to an extended fuel delivery disruption, affecting the delivery of Beeline service and residential refuse collection, which relies on CNG-powered trucks.

### **STAKEHOLDERS/OUTREACH**

The City's CNG fleet includes Beeline transit buses, refuse trucks, and other CNG-powered vehicles. The proposed agreement would ensure that these vehicles can provide public transit and refuse collection with minimal service disruptions. This agreement would also make sure that CNG fueling will remain available to the public in Glendale for an additional ten years.

### **FISCAL IMPACT**

The proposed agreement with Clean Energy Fuels will cost \$3,940,400, a portion of which was not included as a part of the FY 2024-25 budget. Therefore, staff is requesting an appropriation of \$2,540,400 from the Measure M Local Return fund balance. If the Alternative Infrastructure Tax Credit is approved, these capital costs may be partially offset.

Existing Appropriation			
Amount	Account String		Funding Source
\$1,400,000	GL:51000-2540-PWD-0020-P0000 PL: PWD01189AN		Measure R Local Return Fund
Requesting Appropriation			
Amount	From (Account String)	To (Account String)	Funding Source
\$2,540,400	GL: 24212-2220-PWD-0000-P0000	GL: 51000-2220-PWD-0020-P0000 PL: PWD01189BN	Measure M Local Return Fund

## ENVIRONMENTAL REVIEW (CEQA/NEPA)

The City Council adopted a negative declaration for the CNG fueling station on September 9, 2008 for the construction and operation of the City's CNG fueling station. Public Resource Code (PRC) section 21080.25(b)(5) (amended in 2024 by Assembly Bill 2503, and effective January 1, 2025), now exempts public projects for the institution or increase of bus rapid transit, bus, or light rail service, including the construction or rehabilitation of stations, terminals, or existing operations facilities, which will be exclusively used by zero-emission, near-zero-emission, low oxide of nitrogen engine, compressed natural gas fuel, fuel cell, or hybrid powertrain buses or light rail vehicles, on existing public rights-of-way or existing highway rights-of-way, whether or not the right-of-way is in use for public mass transit. The project shall be located on a site that is wholly within the boundaries of an urbanized area or urban cluster, as designated by the United States Census Bureau.

This project is exempt under PRC section 21080.25(b)(5) because it involves contracting with a vendor, Clean Energy Fuels, which will undertake CNG fueling station operations and maintenance, RNG procurement and management, credits administration, and the installation of replacement CNG fueling station equipment at the City's CNG fueling facility that services the City's Beeline public transportation CNG buses.

## CAMPAIGN DISCLOSURE

The campaign disclosure forms are included in Exhibit A.

## ALTERNATIVES TO STAFF RECOMMENDATION

Alternative 1: Execute the last five-year agreement extension under the original terms. The City would not own the station and the fueling equipment will likely be removed in five years.

Alternative 2: Request a two-year extension of the existing agreement with Clean Energy Fuels to release an RFP for a turnkey operation. Clean Energy Fuels is not obligated to grant an extension based on the current agreement terms.

Alternative 3: Request a two-year extension of the existing contract from Clean Energy

Fuels to release two RFPs for the purchase and installation of CNG equipment, the purchase of RNG, and the administration of the RIN and LCFS credit management. Clean Energy Fuels is not obligated to grant an extension based on the current agreement.

Alternative 4: The City Council may consider any other alternative not proposed by staff.

## **ADMINISTRATIVE ACTION**

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**Approved by:**

Roubik R. Golanian, P.E., City Manager

## **EXHIBITS/ATTACHMENTS**

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Exhibit A – Campaign Finance Disclosure Form for Clean Energy Fuels