A. MANAGER’S MEMORANDUM

Source:  
1. Public Works – DPW

Subject:  
CNG Station Update

Action:  
FYI
CITY OF NAPERVILLE
MEMORANDUM

DATE: May 9, 2019

TO: Mayor and City Council
    Doug Krieger, City Manager

FROM: Dick Dublinski, Director of Public Works

SUBJECT: CNG Station Update

PURPOSE:
The purpose of this memorandum is to provide an update on the CNG Station planned for construction at 1704 W Jefferson Avenue.

BACKGROUND:
The City budgets $1.2 million annually for fuel and averages 490,000 gallons of fuel, both unleaded gasoline and diesel, to run the City's fleet of over 580 vehicles. Beginning in 2013, staff began investigating the potential for the City to transition a portion of the fleet from oil-based fuels such as gasoline and diesel to clean alternative fuels such as electric and compressed natural gas ("CNG"). CNG is methane stored at high pressure than can be used in place of gasoline or diesel. CNG produces fewer undesirable gases than gasoline or diesel and is generally less expensive. Providing options for alternative fuels such as CNG could lead to substantial savings for the City in the years ahead as well as a variety of other advantages including positive environmental impacts, public-private partnership opportunities, and economic development chances that are all byproducts of this clean fuel.

To successfully transition to CNG, the City must have access to a local CNG filling station and develop a plan to convert fleet vehicles to run on CNG. In August of 2015, the City issued an RFP for a design concept and proposal for the CNG station. The City received four responses and after interviews and evaluations, Trillium Transportation Fuels, LLC ("Trillium") was selected to work with the City on the construction and operation of a local CNG filling station that would be unmanned, open 24 hours per day, and available to the public.

In 2016, the City applied for a grant through the Drive Clean Chicago’s Station Grant Program for the construction of CNG filling stations. The City's CNG project was awarded the grant qualifying it for reimbursement of up to 30% of station development costs, up to $300,000. Under the grant program, the CNG station will need to be operational by October 31, 2019.
With the new contract for refuse and recycling, an opportunity for an additional fleet to enter into a long-term commitment for the a local CNG station became available. With Groot’s commitment towards CNG, the construction of the filling station became viable without the City’s guarantee of any gallons towards the project. The possibility of the CNG station helped Groot give a very competitive price for the proposed new refuse and recycling contract and guarantees the City a favorable fixed price for CNG for many years.

The City currently owns approximately 8.8 acres located at 1720 W Jefferson Avenue on which it operates the Naperville Test Track. There is approximately one acre of land on the northeast corner of the property along West Jefferson that is located outside of the fenced Naperville Test Track area and contains a parking lot that is rarely used. That one acre of underutilized land is the ideal location for the Station due to its proximity to the City’s Department of Public Works building and it being in an industrial zoned area. The lease agreement with Trillium for the establishment of a CNG filling station on a portion of the property generally located at 1720 W Jefferson Avenue was approved by the City Council on November 7, 2018.

**DISCUSSION:**
Initially, Trillium was going to have to require the City to commit to long-term minimum CNG purchase agreement to guarantee the feasibility of the Station. Due to the tentative minimum CNG purchase agreements Trillium recently negotiated with the City’s waste hauler Groot, the construction of the filling station became viable without the City’s guarantee of any gallons towards the project. In addition, Trillium will pay the City fair market value for the lease of the land and will guarantee the City a favorable fixed price for CNG in exchange for the City leasing land to Trillium for the construction of the station.

On May 3, 2019, the City Manager signed the Ground Lease and Fuel Purchase Agreement with Trillium. According to this agreement, Trillium is responsible for the construction and maintenance of the CNG Station and for the liability related to the Station. The Agreement also provides the City with favorable fixed CNG costs and the pass-through of anticipated federal rebates (VETC). The City will perform some asphalt and concrete work on the site as part of the construction.

The lease agreement is for ten years from the Commercial Operation Date, with five consecutive two-year extensions available. Construction of the Station is anticipated to begin in June of 2019 and be completed in October of 2019. The Commercial Operation Date is the first date that the Station is operational. Trillium will begin the monthly payment of $1,500 when the Station begins operations. At the beginning of the fifth year, the rent increases by CPI for each year after. Trillium is also responsible for all of operation and on-going maintenance costs for the site, including electric and water usage and property taxes.

**RECOMMENDATION:**
Distribute this memorandum to the City Council.