



San Bernardino County

Legislation Text

File #: 5362, Agenda Item #: 7

REPORT/RECOMMENDATION TO THE BOARD OF SUPERVISORS OF SAN BERNARDINO COUNTY AND RECORD OF ACTION

January 11, 2022

FROM

WILLIAM L. GILBERT, Director, Arrowhead Regional Medical Center

SUBJECT

Agreement with Pacific Summit Energy LLC for Sale and Purchase of Natural Gas

RECOMMENDATION(S)

Approve Agreement with Pacific Summit Energy LLC, for sale and purchase of natural gas for the period of February 1, 2022 through January 31, 2027, for a not-to-exceed amount of \$4,500,000.

(Presenter: William L. Gilbert, Director, 580-6150)

COUNTY AND CHIEF EXECUTIVE OFFICER GOALS & OBJECTIVES

Operate in a Fiscally-Responsible and Business-Like Manner.

FINANCIAL IMPACT

Approval of this recommended Agreement will not result in the use of Discretionary General Funding (Net County Cost). The not-to-exceed cost of \$4,500,000 is funded by State Medi-Cal, Federal Medicare, private insurances, and other departmental revenue. Funding sources may change in the future pending any legislative activity related to the repeal and/or replacement of the Affordable Care Act. Adequate appropriation and revenue have been included in the Arrowhead Regional Medical Center (ARMC) 2021-22 budget and will be included in future recommended budgets.

BACKGROUND INFORMATION

The recommended Agreement will allow ARMC the ability to purchase natural gas from Pacific Summit Energy LLC (Pacific Summit) for uses including but not limited to, space heating, water heating, cooking, and emergency fuel. ARMC utilizes an energy supplier to purchase natural gas in order secure lower rates by entering into a fixed rate contract with a specific energy supplier. If the natural gas utility provider, So Cal Gas, increases their rates, ARMC's cost will remain the same. By purchasing natural gas from a supplier, such as Pacific Summit, ARMC has saved an average of 40% on natural gas costs. ARMC has utilized an energy supplier for the direct purchase of natural gas since 2015, which allows ARMC to operate in a fiscally-responsible and business-like manner.

The agreement with Pacific Summit was negotiated by the parties and include the following non-standard contract terms:

1. Either party may terminate the agreement for any reason with at least 60 days written notice.
 - The County's standard contract permits either party to terminate the contract with at least 30

days written notice.

- **Potential Impact:** Sixty days notice is required before terminating the contract without cause. ARMC must be mindful of this additional notice period in the event it seeks to terminate the agreement with Pacific Summit.

2. Payment terms are Net 15 days.

- The County's standard payment term is Net 60 days.
- **Potential Impact:** The County is contractually obligated to make payments within 15 days after receipt of invoice. However, there is no late payment penalty specified in the agreement.

3. The agreement does not include the requirement that Pacific Summit carry automobile liability insurance coverage.

- The County's standard contract requires contractors to carry certain insurance coverage at certain minimum limits as determined by the County's Department of Risk Management.
- **Potential Impact:** The agreement does not include the County standard insurance requirements relating to automobile liability insurance. This means that the County has no assurance of an insurance company that Pacific Summit will be financially responsible for claims that may arise from any automobile liability claims. However, the agreement with Pacific Summit is for the provision of natural gas, which does not require any work that would require any automobile travel.

Approval of this Agreement, including the non-standard terms, will allow ARMC to purchase natural gas at a consistent reduced price.

PROCUREMENT

This procurement is based on a competitive process. On June 4, 2021, ARMC issued an Invitation to Bid (ITB) in ePro (ITB ARMC121-ARMC-4255) for the purchase of natural gas. Two vendors submitted bids, Direct Energy Business Marketing, LLC (Direct Energy) and Pacific Summit. Pacific Summit was chosen based on the lowest bid price for a five-year period.

On December 14, 2021, Direct Energy was notified in writing that they were not the recommended bidder for a contract award and no protest was received.

REVIEW BY OTHERS

This item has been reviewed by County Counsel (Charles Phan, Deputy County Counsel, 387-5455) on December 9, 2021; Purchasing Department (Ariel Gill, Buyer, 777-0722) on December 16, 2021; Risk Management (Victor Tordesillas, Director, 386-8631) on December 9, 2021; ARMC Finance (Chen Wu, Finance and Budget Officer, 580-3165) on December 14, 2021; Finance (Yael Verduzco, Administrative Analyst, 387-5285) on December 17, 2021; and County Finance and Administration (Diana Atkeson, Deputy Executive Officer, 387-5423) on December 17, 2021.