
File #: 2023-3035

Agenda Date: 7/12/2023

Agenda Item No: 2.

FROM: Robert Thompson, General Manager
Originator: Lan C. Wiborg, Director of Environmental Services

SUBJECT:

EMISSION REDUCTION CREDITS BROKER CONTRACT AWARD RECOMMENDATION

GENERAL MANAGER'S RECOMMENDATION

RECOMMENDATION:

- A. Approve a Professional Consultant Services Agreement with Air Quality Consultants (AQC) Environmental Brokerage Services, Inc. for Emission Reduction Credits Brokerage Services, Specification No. CS-2023-1379BD-R, to identify and secure buyers for the sale of Orange County Sanitation District's surplus inventory of Reactive Organic Gases Emission Reduction Credits at the best available value, and handle all market evaluation of Emission Reduction Credits, negotiations, and financial transactions with all appropriate parties; and
- B. Approve an Agreement duration of one year from the Notice to Proceed effective date with four (4) one-year renewal options at a commission rate of 3.5%.

BACKGROUND

Orange County Sanitation District (OC San) holds a portfolio of Air Quality Emission Reduction Credits (ERCs) including, but not limited to, Reactive Organic Gases (ROGs). ERCs are treated as an interchangeable commodity. To acquire an air quality permit for new projects that result in an increase in emissions, the owner of the project is required to offset the difference in emissions with ERCs. Following a comprehensive review of future Capital Improvement Project needs, it has been determined that OC San has a surplus of ROG credits. As a conservative approach, OC San is retaining twice the number of ROG credits that could be allocated to offset future projects. As such, the remaining number of credits available for possible sale is 360 lbs./day.

OC San does not currently have a brokerage firm to handle market evaluations and represent our interest in the sale of the surplus credits. For this reason, OC San issued a Request for Proposal (RFP) in March 2023. The RFP was for a brokerage firm to assess future project plans and credit demands, manage OC San's portfolio, and facilitate ERC sales at fair market value on OC San's behalf.

In addition to being recognized on SCAQMD's ERC Broker Listing, AQC Environmental Brokerage Services, Inc. meets the RFP criteria to provide the services to broker the sale of OC San's surplus credits.

RELEVANT STANDARDS

- Ensure that investment proposals and decisions are based on clearly defined standards
- Comply with environmental permit requirements
- 24/7/365 treatment plant reliability

PROBLEM

OC San has a surplus of ROG credits which is unlikely to increase or decrease in value for the foreseeable future. It is of no immediate or future benefit to OC San to continue holding these surplus credits.

PROPOSED SOLUTION

Approve the agreement to ensure OC San maintains adequate representation in the sale of the surplus credits on such terms and conditions as OC San may determine in its sole discretion.

TIMING CONCERNS

The value of ROG credits has remained stable since 2020 at an average market value of \$4,750 lb./day. Additionally, the value does not appear to fluctuate with short- or long-term inflationary indices. Given the current economic climate, the proceeds from the sale of the surplus credits may enable OC San to reinvest the revenue and achieve greater gains from this asset.

RAMIFICATIONS OF NOT TAKING ACTION

The surplus credits will remain unused by OC San for the foreseeable future and the monetary value of the credits will remain inaccessible for reinvestment.

PRIOR COMMITTEE/BOARD ACTIONS

November 2022 - Approved the solicitation for an ERCs brokerage firm to identify and secure a buyer (s) for the sale of surplus ROG ERCs at the best available value and to handle all market evaluations of ERCs, negotiations, and financial transactions with all appropriate parties.

ADDITIONAL INFORMATION

An RFP was first issued on December 20, 2022. OC San received no proposals. A total of 19 companies or interested parties downloaded the solicitation documents for this RFP. A post-RFP survey of potential firms indicated a lack of proposers due to either a firm's inability to operate as an authorized broker or the firm expressed no interest in pursuing additional clients at this time.

A second RFP was later issued on March 9, 2023, and proposals were due on April 10, 2023. OC San received one responsive proposal. A total of 16 companies or interested parties downloaded the solicitation documents for this RFP. A post-RFP survey of potential firms indicated multiple firms were not able to submit a proposal due to personnel shortages.

Prior to receipt of proposals, an evaluation team was formed consisting of the following OC San staff: Senior Regulatory Specialist, Environmental Supervisor, Regulatory Specialist, and Senior Accountant. The team was chaired by a Purchasing representative as a non-voting member. On April 20, 2023, the evaluation team met to discuss the policies and procedures for the evaluation process. Individual scoring was the chosen method of evaluation for this procurement. Members of the team performed an independent review of the proposals and later met as a group with the Purchasing representative to discuss their preliminary scores and any questions/concerns.

Proposals were evaluated based on the following criteria:

CRITERIA	WEIGHT
Qualifications & Experience of Firm	25%
Proposed Staffing & Project Organization	20%
Work Plan	35%
Cost	20%

The evaluation team reviewed and scored the proposal based on all criteria listed above except cost. Since there were no other proposers, AQC Environmental Brokerage Services, Inc. was awarded full points for cost.

Ran k	Proposer	Criterion 1 (Max 25%)	Criterion 2 (Max 20%)	Criterion 3 (Max 35%)	Criterion 4 (Max 20%)	Total Score (Max 100%)
1	AQC Environmental Brokerage Services, Inc.	21%	17%	27%	20%	85%

Based on the resulting score, staff recommends approving an Agreement with AQC Environmental Brokerage Services, Inc. which is a full-service emissions brokerage firm covering all regional ERC markets in the State of California and the SCAQMD ERC market particularly. The brokers at AQC Environmental Brokerage Services, Inc. have completed over 100 SCAQMD ERC transactions totaling over \$1 billion.

The agreement total includes OC San's obligation to pay the sales commission of 3.5% from the sale price of up to 360 lbs./day of ROG credits.

CEQA

N/A

FINANCIAL CONSIDERATIONS

This request complies with authority levels of OC San's Purchasing Ordinance. This item has been budgeted. (Line item: Section 6, Page 40).

ATTACHMENT

The following attachment(s) may be viewed on-line at the OC San website (www.ocsan.gov) with the complete agenda package:

- Professional Consultant Services Agreement