CONTRACT MODIFICATIONS FOR EXISTING RENEWABLE NATURAL GAS (RNG) CONTRACTS

Contract No. OP73960000 with *Clean Energy Renewable Fuels, LLC*

Contract No. OP59812000A with *Clean Energy Renewable Fuels*

Contract No. OP59812000B with *Shell Energy North America (US)*

Contract No. OP59812000C with Trillium USA Company, LLC

Operations, Safety, and Customer Experience Committee

July 16, 2026

Metro

RECOMMENDATION

AUTHORIZE the Chief Executive Officer to:

A. EXECUTE Modification No. 9 to Contract No. OP73960000 with *Clean Energy Renewable Fuels, LLC* to extend the contract performance end date by eleven months from July 31, 2026, to June 30, 2027;

B. EXECUTE Modification No. 9 to Contract No. OP59812000A with *Clean Energy Renewable Fuels* to extend the contract performance end date by eleven months from July 31, 2026, to June 30, 2027;

C. EXECUTE Modification No. 6 to Contract No. OP59812000B with *Shell Energy North America (US)* to increase the contract value by $3,615,292 from a Not-To-Exceed (NTE) amount of $15,112,295 to a NTE amount of $18,727,587 and extend the contract performance end date by eleven months from July 31, 2026, to June 30, 2027; and

D. EXECUTE Modification No. 5 to Contract No. OP59812000C with *Trillium USA Company, LLC* to increase the contract value by $2,877,636 from a NTE amount of $19,492,426 to NTE amount of $22,370,062 and extend the contract performance end date by eleven months from July 31, 2026, to June 30, 2027.

ISSUE AND BACKGROUND

- Metro uses Renewable Natural Gas (RNG) fuel under multiple existing contracts OP7396000 with Clean Energy, OP59812000A with Clean Energy, OP59812000B with Shell Energy, and OP59812000C with Trillium USA, which continue to support Metro's operational and environmental objectives.
- RNG remains a critical transition fuel during Metro's phased deployment to a fully Zero-Emission Bus (ZEB) fleet.
- A new procurement was completed in May 2026 but not awarded.
- Modifications to the existing contracts to extend the period of performance and add contract authority. Current Contracts expire July 31, 2026.
- This report: (1) requests authority to extend the existing contracts until a new RNG contract is awarded, (2) provides a new timeline for a new procurement, and (3) outlines the cost for extending the existing contracts.

DISCUSSION

- Only *period of performance extension* in the two Clean Energy Fuels, LLC Contracts (No. OP73960000 and No. OP59812000A) as there are enough contract values left in each of the contracts to buy RNG fuel within the extension period.
- *Period of Performance extensions and contract value increases* for Shell (Contract No. OP59812000B) and Trillium (Contract No. OP59812000C) are to ensure that there is enough contract value to purchase RNG during the extended period of performance.
- Staff anticipates releasing the new RNG procurement in late Summer 2026, with an anticipated award in Spring 2027.
- The total RNG commodity cost to extend these contracts is approximately $14 million for one year, The FY27 CNG fuel budget is approximately $17.5 million and is based on the FY26 budgeted CNG amount.

DISCUSSION

- Net cost of alternative procurement of fossil natural gas
  - Approximately $20.8M in six months and $41.6M in a year.

- Reasons
  - Metro would be paying more just to procure fossil CNG from Southern California Gas Company
  - Generates deficits under LCFS program, cutting into the revenues Metro generates from that program each year.

DEOD COMMITMENT

- At the time of solicitation, the Diversity & Economic Opportunity Department did not establish a Disadvantaged Business Enterprise (DBE) goal for this solicitation due to the lack of subcontracting opportunities.

- It is expected that Clean Energy, Shell Energy, and Trillium USA will continue to perform the services of these contracts with its own workforce.

NEXT STEPS

- Upon Board approval, staff will execute the contract modifications extending the existing RNG contracts.
- Develop new procurement of RNG to be released in late Summer 2026, with an anticipated award in Spring 2027.
- Staff will continue monitoring RNG market conditions, environmental credit performance, carbon intensity trends, and Zero-Emission Bus deployment progress to ensure continued alignment with Metro’s operational, sustainability, and climate leadership objectives.

Support Slides

Opportunity Cost and Additional Costs

Scenario 1: Contract Award (based on Shell Energy, NA's (SENA) Best and Final Offer)

	12 Months	6 Months
SCG Transmission Cost[1]	**-$16,449,681**	**-$8,224,840**
RNG Cost[2]	**-$15,421,038**	**-$7,710,519**
Total Cost	**-$31,870,719**	**-$15,935,360**
RINs Revenue (Est.)[3]	**$27,572,202**	**$13,786,101**
LCFS Credit Revenue (Est.)[4]	**$14,530,961**	**$7,265,481**
LCFS Deficit Costs[5]	**-$2,345**	**$1,173**
Net Cost/Revenue	**$10,230,099**	**$5,115,049**

[1] This figure accounts for the transmission costs for all divisions that would be supplied for RNG (Division 1, 2, 3, 5, 7, 8, 9, 13, 15, 18) but also accounts for all costs tied to CNG supply at Division 10 and CMF. These are based on actual figures from Calendar Year (CY) 2025.

[2] This figure accounts for the estimated cost of RNG based on the average per-therm cost of RNG under the SoCal Citygate index in CY2025, based on the actual therms delivered in CY2025.

[3] This figure is derived from the estimated RINs share SENA would provide, estimated at the latest selling price of $2.43 per RIN.

[4] This figure is derived from the estimated LCFS credit share SENA would provide, estimated at the latest market price of $67.00 per LCFS credit.

[5] This figure is derived from actual deficits generated at Division 10 and CMF in CY 2025 and is estimated at a price of $67.00 per LCFS credit (that would be needed to offset the deficits created by using Fossil Compressed Natural Gas.

Opportunity Costs and Additional Costs

***<u>Scenario 2: Non-Award + Existing Contracts Extension</u>*. Below is a table of the financial outcomes of not awarding Contract #OP132076 and instead opting to extend the existing RNG contracts (May 2026 Board motion).**

	12 Months	6 Months
SCG Transmission Cost[1]	-$16,449,681	-$8,224,840
RNG Cost[2]	-$13,896,294	-$6,948,147
Total Cost	-$30,345,975	-$15,172,987
RINs Revenue (Actual)[3]	$8,885,383	$4,442,691
LCFS Credit Revenue (Est.)[4]	$5,913,822	$2,956,911
LCFS Deficit Costs[5]	$2,345	$1,173
Net Cost/Revenue	-$15,549,115	-$7,774,558

1 This figure accounts for the transmission costs for all divisions that would be supplied for RNG (Division 1, 2, 3, 5, 7, 8, 9, 13, 15, 18) but also accounts for all costs tied to CNG supply at Division 10 and CMF. These are based on actual figures from Calendar Year (CY) 2025.

2 This figure accounts for the actual spend on RNG in CY 2025.

3 This figure is derived from the actual revenues earned from RINs for CY 2025.

4 This figure is derived from the estimated revenues from LCFS credits generated under Metro’s existing RNG contracts, estimated at a price of $67.00 per LCFS credit.

5 This figure is derived from actual deficits generated at Division 10 and CMF in CY 2025 and is estimated at a price of $67.00 per LCFS credit (that would be needed to offset the deficits created by using Fossil Compressed Natural Gas.