Multi-State Natural Gas Vehicle OEM Contract

2013 NASPO Cronin Award Nomination

State of Oklahoma

Office of Management and Enterprise Services

Central Purchasing

George Cronin Awards for Procurement Excellence

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Executive Summary

Multi-State Natural Gas Vehicle Original Equipment Manufacturers Contract

The governors of Oklahoma and Colorado recognized an opportunity for states to save money by utilizing fleets of vehicles powered by compressed natural gas (CNG). In an effort to capitalize on this opportunity, on November 9th, 2011, Oklahoma Governor Mary Fallin signed a Memo of Understanding (MOU) with Colorado Governor John Hickenlooper with the intent of attracting automobile manufacturers in the US to develop functional and affordable original equipment manufacturer (OEM) fleet natural gas vehicles (NGV) that would also meet public demand. The governors recognized the benefits and unique attributes of clean burning natural gas and understood the significant opportunity compressed natural gas (CNG) presented to save state and taxpayer dollars by encouraging an energy future that utilized domestic energy sources to fuel our nation's transportation needs.

With the MOU signed, Oklahoma senior leadership understood early in the process the need to involve Oklahoma's Central Purchasing Division. The Oklahoma State Purchasing Director, Scott Schlotthauer, was invited to attend a kick-off meeting held in Washington D.C. along with Oklahoma Secretary of Energy, Michael Ming, to discuss the potential of a multi-state initiative for CNG vehicles. Also attending were representatives from Ford, GM, Honda and a large contingent from Dodge. Several attendees felt the initiative was misguided and many manufacturer representatives urged the group to shift their focus to where they were spending their research dollars pursuing electric vehicle opportunities. There was also some confusion as to how multiple states, each with different legislative guidance, could possibly come together to create such a solicitation. At this point, the NASPO methodology was conveyed to the committee by Scott Schlotthauer.

While not all questions were answered during the kick-off meeting, a couple of important things did take place. As mentioned, a large contingent of executives from Chrysler Group were present which clearly demonstrated that at least one manufacturer was excited and prepared for just such an opportunity. The second important accomplishment was to gain critical visibility and credibility which ultimately led the governors of another 15 states to sign the MOU while seven states signed the intent to participate (ITP). This ultimately led to 28 states participating in the initiative.

The joint solicitation of a Multi-State Request for Proposal (Joint-RFP) aggregating annual state fleet vehicle demand was released in July of 2012. The intent was to provide demand sufficient to support the design, manufacture and sale of functional and affordable OEM NGV's by automobile manufacturers in the United States.

The Joint-RFP ultimately resulted in 87 awarded dealers residing in the 28 states. The manufacturers represented on the final contract included Honda, Chevy, Ford and Dodge. Prices submitted significantly moved the average existing price for CNG vehicles with the most aggressive submission from Dodge reducing the list price of a CNG ¾ ton truck over 20%. The aggressive pricing received paved the way for increased utilization and viability of the CNG vehicle.

Multi-State Natural Gas Vehicle Original Equipment Manufacturers Contract

Program Details

Based on discussions by the governors of Oklahoma and Colorado in early 2012, there was a Memorandum of Understanding (MOU) signed by 13 governors who agreed to work cooperatively to encourage Original Equipment Manufacturers (OEM) to increase the number of competitively priced vehicles in state fleets that utilized natural gas as a fuel. The states recognized the benefits and unique attributes of clean-burning natural gas and understood the significant opportunity compressed natural gas (CNG) presented to save state and taxpayer dollars by encouraging an energy future that utilized domestic energy resources to fuel our nation's transportation needs. Through the joint solicitation of a Multi-State Request for Proposal (Joint-RFP) that aggregates annual state fleet vehicle procurements, the states endeavored to provide a demand base sufficient to support the design, manufacture, and sale of functional and affordable OEM natural gas vehicles (NGV) by automotive manufacturers in the U.S.

The Request for Proposal (RFP) called for OEM offerings in six categories, each with the opportunity to offer either "dedicated Compressed Natural Gas (CNG)" or "bi-fuel CNG" vehicles:

- Sedans (Honda's "Civic" – already on the market)
- ¾ Ton Pickups (regular, extended and crew cabs)
- 1 Ton Pickups (regular, extended and crew cabs)
- ¾ Ton Cargo Vans
- 1 Ton Cargo Vans
- Light Cargo Van (Ford's "Transit" – already on the market)

(Some of these vehicles were already on the market as a $10,000 add-on to gasoline/diesel powered models. The MOU sought to minimize the price difference between the different powered vehicles.)

Responders could offer both a specific (priced in the response) option and also a general percentage of savings on all other options.

The emphasis of the MOU was on "original equipment manufacturer" vehicles – vehicles for which the OEM is solely responsible for the warranty and guarantee.

Many of the current (before September, 2012) vehicle situations were based on CNG conversions which created two warranties and two guarantees. Because of this, one of the key requirements of the RFP was that OEM's were SOLELY responsible for the warranty and guarantee. Services may be performed by others, but there was "one throat to choke" in case of problems.

There was a stacked sourcing team structure – an extended sourcing team comprised of representatives from three different groups within state government:

- Policy (sometimes from governor's offices, sometimes from energy or related agencies)
- Fleet (state fleet managers, central fleets, DOT's, and others)
- Purchasing

All 15 of the MOU states (all totaled, 75 people) were represented on the extended sourcing team. A core sourcing team made up of fleet and purchasing representatives evaluated responses and created the actual award recommendation:

- Oklahoma - Laura Bybee - Contract Lead, Tom Bogdanowicz - Deputy State Fleet Manager
- Colorado - Ron Clatterbuck - State Fleet Manager
- Kentucky - Mike Gustafson - State Purchasing Agent, Pete McDonald - State Fleet
- Mississippi - Wayne Cranford – Director, Bureau of Fleet Management
- Wyoming - Annette Spitsbergen - MVMS Manager
- Paul Stembler - WSCA/NASPO Cooperative Development Coordinator

The process was split into two parts with Colorado leading the Request for Information (RFI) piece and Oklahoma leading the Request for Proposal (RFP) piece.

- ➢ RFI was released on April 23, 2012
- ➢ RFI Conference:
  - May 9, 2012 in Denver, Colorado
  - Colorado's governor attended, made comments and talked with attendees
- ➢ Closed on June 15, 2012

- ➢ RFP released on July 24, 2012
- ➢ RFP conference:
  - August 8, 2012, in Oklahoma City, Oklahoma
  - Oklahoma's governor attended, made comments and talked with attendees
- ➢ RFP closed on September 14, 2012 (original date of September 7 extended)

The opportunity to participate and respond was openly available for approximately six months (April 23, 2012, to September 14, 2012). During this time, a number of governors made a number of visits to US-based auto manufacturers' headquarters to encourage the opportunity.

Ninety initial responses were received.

Governor Mary Fallin, Secretary of Energy Michael Ming, ODOT Director Gary Ridley and Guthrie, Oklahoma dealership owner John Vance pose with CNG vehicles.

Results

State	Awarded Dealers
Arkansas (MOU)	2
California	1
Colorado (MOU)	2
Connecticut (ITP)	7
Georgia	1
Hawaii (ITP)	2
Kentucky (MOU)	4
Louisiana (MOU)	3
Maine (MOU)	4
Maryland	1
Minnesota (ITP)	5
Mississippi (MOU)	1
Missouri	1
Montana (ITP)	4
Nevada (ITP)	2
New Hampshire	1
New Jersey	1
New Mexico (MOU)	4
Ohio (MOU)	4
Oklahoma (MOU)	7
Pennsylvania (MOU)	2
South Carolina (ITP)	6
Texas (MOU)	6
Utah (MOU)	4
Vermont (ITP)	5
Virginia (initially ITP - MOU)	1
West Virginia (MOU)	4
Wyoming (MOU)	4

MOU Memo of Understanding ITP Intent to Participate

Offers

Responders completed (with assistance) a template spreadsheet listing the requirements for each vehicle type requested. They completed a second template spreadsheet for specific options and were allowed to offer a set discount for all other options that might be requested.

The responses were compared with current state fleet contracts in four states, using the "markup" (currently in effect) for CNG or bi-fuel vehicles.

Comparisons across OEMs were also provided for the six vehicle categories where there were multiple responses for a vehicle category.

Conclusion

Leveraging the purchasing power of 28 states, the movement for increased utilization of compressed natural gas as the fuel of choice has been set in motion. As the most economical and environmentally-friendly fuel available today, CNG is the answer to America's energy crisis. Natural gas is the cleanest burning of all fossil fuels, it's found in abundance in the US, and it's significantly less expensive than gasoline and diesel fuel. While the price of foreign oil continues to increase, 28 states have banded together to demand a superior alternative to gasoline and diesel powered transportation. With CNG costs as low as $.54 a gallon, states can now save in excess of 70% each time they refuel their vehicles.

Contracts for CNG and bi-fuel vehicles are now in place in 28 states with product offerings from four major OEM manufacturers that provide attractive pricing while utilizing local distributorships. Additionally, at least one manufacturer offers contract pricing to the public.

These contracts will provide opportunities for the increased demand of CNG which in turn will drive the need to supply a more extensive CNG fueling infrastructure. Increased demand now provides incentive for manufacturers to shift research dollars to CNG vehicles.

Cooperative purchasing, having been honed to a fine art by NASPO/WSCA, provided the platform to shape industry innovation and drive manufacturers to provide products for a sustainable future. This solicitation has leveraged our power to help shape the future of the automotive industry.

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Supporting Documentation

State of Oklahoma
Office of Management and Enterprise Services

Achievements of the Solicitation

Oklahoma's Department of Transportation (ODOT) has received the first of Chrysler's largest order for CNG trucks ever received since beginning production in October of 2012. The first delivery of a 168-truck order was received in Oklahoma in March of 2013.

Oklahoma Governor Mary Fallin and ODOT representative Casey Schell receive the first delivery from Chrysler.

168 Dodge Ram 3/4 ton CNG trucks, purchased by the state for use by ODOT, arrive.

Peter Grady, vice president of Network Development and Fleet-Chrysler Group, LLC and Governor Fallin take a ride in a CNG pickup.

Achievements of the Solicitation

Agency	# Purchased	Total Spend
ODOT	168 trucks	$5,389,993
Turnpike Authority	40 trucks	$1,251.000
OMES	67 Civics	$1,674,958
TOTAL SPEND		**$8,315,951**

2013 Dodge Ram 3/4 ton 4WD CNG truck.

2012 Honda Civic car wrap to promote CNG.

Oklahoma Department of Transportation CNG logo placed on all CNG trucks.

Facilitating Memo of Understanding between Oklahoma and Colorado

Memorandum of Understanding

This Memorandum of Understanding (MOU) describes a coordinated effort between the undersigned States (States) to attract automobile manufacturers in the U.S. to develop a functional and affordable original equipment manufacturer (OEM) fleet natural gas vehicle (NGV) that will also meet public demand. The States recognize the benefits and unique attributes of clean burning natural gas and understand the significant opportunity compressed natural gas (CNG) presents to save State and taxpayer dollars by encouraging an energy future that utilizes domestic energy resources to fuel our nation's transportation needs. Through the joint solicitation of a Multi-State Request for Proposal (Joint-RFP) that aggregates annual State fleet vehicle procurements, the States will endeavor to provide a demand base sufficient to support the design, manufacture, and sale of functional and affordable OEM NGVs by automotive manufacturers in the United States.

In anticipation of soliciting a Joint-RFP, the States will endeavor to coordinate with local agencies, municipalities, and companies to determine the number of NGVs each State can commit to purchase and the required specifications necessary to meet fleet needs. The Joint-RFP shall require that the ultimate cost of an OEM NGV should be comparably priced to an equivalent gasoline powered model and that warranty and reliability concerns are not compromised. Simultaneously, the States understand the need for continued development and expansion of CNG fueling infrastructure and should endeavor to encourage private investment, predicated on demonstrating an anticipated increase in State NGVs, to meet growing demand.

Pursuant to the terms of the Joint-RFP, to be executed at a later date, the States intend, where practical, to transition new fleet vehicle acquisitions, in committed volumes, to a resulting OEM NGV. Such future acquisitions should, when economically feasible, rely on traditional distribution channels that incorporate local businesses in procurement processes. In continued recognition of the benefits of CNG, the States should also endeavor to pursue fleet vehicle conversions to CNG, where economically compelling, based on a life-cycle cost analysis. The States will also reach out to fellow Governors to determine broader interest and participation in the principles and process outlined in this MOU.

This MOU embodies the principle understandings of the States but shall not create any legal relationship, rights, duties, or obligations binding or enforceable at law or in equity. Notwithstanding the foregoing, each State shall in good faith endeavor to reach a mutually agreeable and economically beneficial Joint-RFP, as contemplated herein. This MOU does not create additional state power, enhance existing state power, or interfere with federal authority or law. This MOU shall continue to demonstrate the States' understanding until execution of the Joint-RFP, or until otherwise discontinued by either State.

Set forth by:

State of Oklahoma

Mary Fallin

Mary Fallin, Governor
November 9, 2011

State of Colorado

John Hickenlooper, Governor
November 9, 2011

"Our nation is too dependant on foreign oil, I'd like to see us use more of an American made energy."

Mary Fallin

Additional Gubernatorial Signatures

November 9, 2011

State of Wyoming

Matthew H. Mead, Governor
November 9, 2011

State of Utah

Gary R. Herbert, Governor
November 16, 2011

State of New Mexico

Susana Martinez, Governor
December 22, 2011

State of Kentucky

Steven L. Beshear, Governor
January 27, 2012

State of Ohio

John R. Kasich, Governor
March 2, 2012

State of Louisiana

Bobby Jindal, Governor
April 16, 2012

November 9, 2011

State of Pennsylvania

Tom Corbett, Governor
November 9, 2011

State of Maine

Paul R. LePage, Governor
December 2, 2011

State of West Virginia

Earl Ray Tomblin, Governor
January 16, 2012

State of Texas

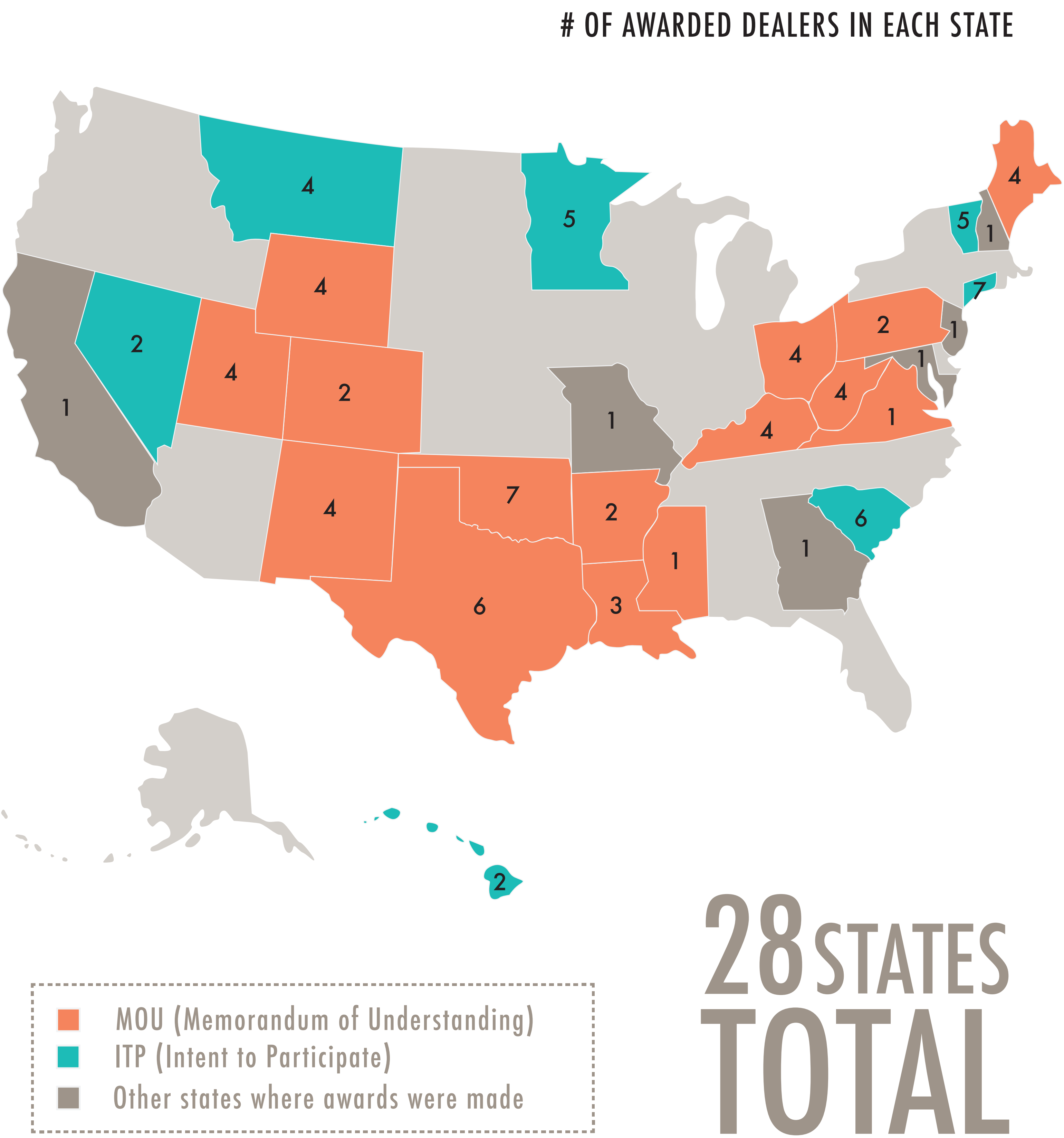
Rick Perry, Governor
February 6, 2012

State of Mississippi

Phil Bryant, Governor
March 21, 2012

(CNG), our purchases on county, municipal and state levels will help drive consumer demand," he said. "Soon we'll have more stations and infrastructure."

PARTICIPATION POOL



28 STATES TOTAL

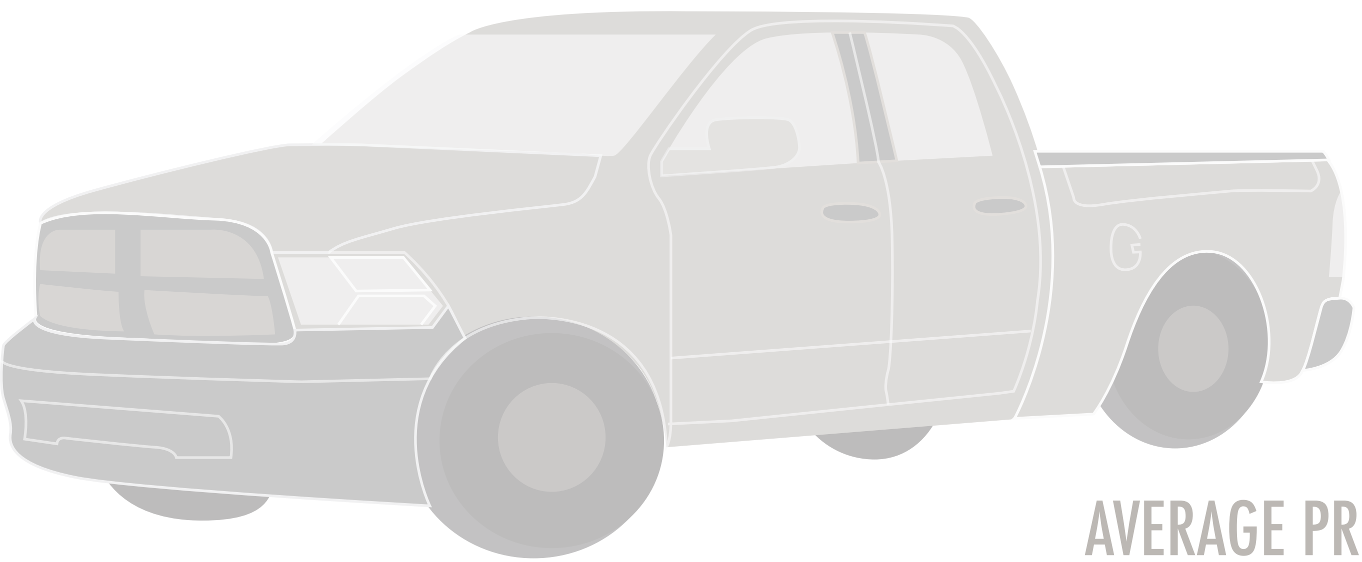
TOP DECREASE IN AVERAGE PRICE

DECREASED FROM **$36,320**

AVG PRICE OFFERED **$30,381**

AVG SAVINGS **$5,939**

#2	DODGE $30,350	3/4 T PU Crew Cab BI-FUEL	↓10.1%
#3	FORD $31,947	1 T Van DEDICATED	↓10.1%
#4	FORD $29,902	Transit Van BI-FUEL	↓9.2%
#5	FORD $30,733	Transit Van DEDICATED	↓7.5%
#6	FORD $30,648	3/4 T Van DEDICATED	↓6.4%
#7	FORD $30,042	3/4 T Crew Cab BI-FUEL	↓4.2%
#8	HONDA $25,655	Civic Compact Sedan DEDICATED	↓4.2%



AVERAGE PRICE

↓16.4%

#1 DODGE CNG 3/4 TON TRUCK

LIST OF OFFERS

	#OF OFFERS	AVG OFFER	AVG EXISTING PRICE	DIFFERENCE	% CHANGE AVG PRICE	LOWEST OFFER	DIFFERENCE	% CHANGE LOWEST OFFER
HONDA								
Civic Compact Sedan DEDICATED	25	$25,655	$26,792	$1,138	↓ 4.2%	$24,483	$2,309	↓ 8.6%
CHEVY								
3/4 T PU Ext Cab BI-FUEL	5	$35,872	$33,438	($2,434)	7.3%	$34,062	($624)	1.9%
3/4 T Van DEDICATED	5	$33,889	$31,381	($2,508)	8.0%	$30,900	$481	↓ 1.5%
1 T Van DEDICATED	5	$36,614	$34,097	($2,517)	7.4%	$34,900	($803)	2.4%
DODGE								
3/4 T PU Crew Cab DEDICATED	3	$30,381	$36,320	$5,939	↓16.4%	$28,935	$7,385	↓20.3%
3/4 T PU Crew Cab BI-FUEL	36	$30,381	$33,813	$3,432	↓10.1%	$28,935	$3,204	↓14.4%
FORD								
3/4 T PU Regular Cab DEDICATED	2	$33,202	$31,886	($1,316)	4.1%	$32,309	($423)	1.3%
3/4 T PU Regular Cab BI-FUEL	6	$32,705	$32,699	($6)	0.0%	$32,479	$220	↓ 0.7%
3/4 T PU Ext Cab DEDICATED	2	$34,248	$33,858	($390)	1.2%	$33,541	$317	↓ 0.9%
3/4 T PU Ext Cab BI-FUEL	15	$34,570	$34,496	($74)	0.2%	$33,541	$955	↓ 2.8%
3/4 T PU Crew Cab DEDICATED	2	$36,224	$36,202	($22)	0.0%	$36,208	($6)	0.0%
3/4 T PU Crew Cab BI-FUEL	15	$36,042	$37,604	$1,562	↓ 4.2%	$31,012	$6,592	↓17.5%
1 T PU Regular Cab DEDICATED	1	$36,348	$32,309	($4,039)	12.5%	$36,348	($4,039)	12.5%
1 T PU Ext Cab DEDICATED	1	$36,348	$35,366	($982)	2.8%	$36,348	($982)	2.8%
1 T PU Ext Cab BI-FUEL	11	$37,037	$35,570	($1,467)	4.1%	$34,548	$1,022	↓ 2.9%
1 T PU Crew Cab BI-FUEL	11	$38,874	$37,068	($1,806)	4.9%	$37,655	($587)	1.6%
3/4 T Van DEDICATED	11	$30,648	$32,729	$2,045	↓ 6.4%	$29,331	$3,398	↓10.4%
3/4 T Van BI-FUEL	13	$29,544	$29,027	($517)	1.2%	$26,513	$2,514	↓ 8.7%
1 T Van DEDICATED	11	$31,947	$35,544	$3,597	↓10.1%	$30,900	$4,644	↓13.1%
1 T Van BI-FUEL	14	$31,382	$31,199	($183)	0.6%	$30,368	$831	↓ 2.7%
Transit Van DEDICATED	16	$30,733	$33,224	$2,491	↓ 7.5%	$29,647	$3,577	↓10.8%
Transit Van BI-FUEL	4	$29,902	$32,948	$3,046	↓ 9.2%	$29,714	$3,234	↓ 9.8%

Advertisement from Local Newspaper

This ad from the *Oklahoman* depicts the local price for the same truck Oklahoma has on contract. Significant difference (-$12,195) from advertisement to the contract.

"Converting the state's fleet will save tax-payers millions of dollars in fuel costs. The use of cleaner-burning CNG is good for the environment and promotes Oklahoma-made natural gas, which in turn supports the creation of more Oklahoma jobs."

Mary Fallin