Council Agenda – November 23, 2005

Report – Executive Policy Committee – November 9, 2005

Item No. 5 Supply and Delivery of Diesel Fuel, Furnace Fuel and Gasoline
File GL-9

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the administrative recommendation and recommends to Council:

1. That the contract for the supply and delivery of diesel fuel, furnace fuel and gasoline for the period of January 1, 2006 to December 31, 2008 (Alternative 1 – Award as a Whole) be awarded to Federated Co-operatives Ltd., the bidder who submitted the lowest evaluated responsive bid.

2. That the Manager of Materials be authorized to issue a purchase order accordingly.

3. That the Proper Officers of the City be authorized to do all things necessary to implement the intent of the foregoing.

Council Agenda – November 23, 2005

Report – Executive Policy Committee – November 9, 2005

DECISION MAKING HISTORY:

EXECUTIVE POLICY COMMITTEE RECOMMENDATION:

The Executive Policy Committee concurred in the administrative recommendation and submitted the matter to Council.

ADMINISTRATIVE REPORT

RE: 300-2005 Supply and Delivery of Diesel Fuel, Furnace Fuel and Gasoline

FOR SUBMISSION TO: **Executive Policy Committee**

ORIGINAL REPORT SIGNED BY: **Chief Financial Officer**

REPORT DATE: **October 13, 2005**

RECOMMENDATION(S):

That the contract for the supply and delivery of diesel fuel, furnace fuel and gasoline for the period of January 1, 2006 to December 31, 2008 (Alternative 1 – Award as a Whole) be awarded to Federated Co-operatives Ltd., the bidder who submitted the lowest evaluated responsive bid.

That the Manager of Materials be authorized to issue a purchase order accordingly.

REPORT SUMMARY:

Key Issues:

The contract is for the supply and delivery of diesel fuel, furnace fuel and gasoline for the City and cooperative purchase participants including the University of Manitoba and four school divisions.

Implications of the Recommendation(s):

General Implications:

- ☐ None
- ☐ For the organization overall and/or for other departments
- ☐ For the community and/or organizations external to the City
- X Involves a multi-year contract
  Comment(s):

Policy Implications:

- X No

☐ Yes
Comment(s):

Environmental Implications:

X No

☐ Yes
Comment(s):

Human Resource Implications:

X No

☐ Yes
Comment(s):

Financial Implications:

X Within approved current and/or capital budget

☐ Current and/or capital budget adjustment required

Comment: This contract is on an "as required" basis and does not commit the City to purchase any fixed quantity. The goods are purchased and used by various City departments during the term of the contract. As the funding for this contract is through the budgets of the various user departments, the financial impact will have to be determined by the user departments on an individual basis.

REASON FOR THE REPORT:

As the total conditional amount to be paid by the City pursuant to the contract is estimated to be $47,511,398.69 plus GST, but the contract is for a purchase that obligates the City to order goods or services only when required by the City and only in quantities required by the City, the Executive Policy Committee may approve the award of the contract pursuant to the Materials Management Policy.

HISTORY:

A Bid Opportunity is issued triennially by the Materials Management Branch of the Corporate Finance Department for the supply and delivery of diesel fuel, furnace fuel and gasoline for various City departments and cooperative purchase participants on an "as-required" basis.

Final receipt of bids took place on September 27, 2005 with bids being received from five bidders. A summary of these bids is contained in Appendix A.

DISCUSSION:

The Bid Opportunity stated that award of the Contract would be based on the evaluated total contract amount which would be the sum of the approximate annual quantities multiplied by the City's estimate of unit prices during the term of the Contract for each item, adjusted for the time value of money.

The Bid Opportunity also stated that the Contract may be awarded as a whole (Alternative 1) or separately in sections (Alternative 2).

Federated Co-operatives Limited

The bid submitted by Federated Co-operatives Limited complied with the requirements of the Bid Opportunity.

The bid is the lowest for Alternative 1 and for both sections of Alternative 2. The bid for Alternative 1, results in the lowest evaluated contract amount.

The estimated total contract amount for three years, based on projections of the proposed price adjustment mechanism, is $50,168,821.70, of which $47,511,398.69 is the City's portion and $2,657,423.01 is the cooperative purchase portion.

Husky Oil Marketing Company

The bids submitted by Husky Oil Marketing Company, for Alternative 1 and for Alternative 2 – Section A, if they were the lowest bids, would be deemed non-responsive in accordance with B14.1 and B14.2 because they do not comply with the requirements of the Bid Opportunity and are obscure.

The bid included a price increase of "Approximately $0.0300 / litre effective September 1, 2006 for Items No. 1 and 2 due to change from Low Sulphur (LS) to Ultra Low Sulphur (ULS)".

Because the bidder inserted "Approximately" on the provided form without identifying any mechanism to determine the exact amount, the proposed price adjustment for Items No. 1 and 2 does not meet the requirements in B9.13 that "Alternative price adjustment mechanisms must: (f) be determinable, i.e., conditions such as "to be determined" or "to be negotiated" will be deemed non-responsive."

The evaluated Contract amount cannot be determined for Alternative 1 or for Alternative 2 – Section A, but would not be the lowest even if the increase was nil.

The bid for Alternative 2 – Section B, which does not include those items, is not affected.

Imperial Oil

The bid submitted by Imperial Oil, if it was the lowest bid, would be deemed non-responsive in accordance with B14.2 because the bidder inserted unacceptable conditions.

An attachment to the bid states “Our offer to you is conditional upon your acceptance of our standard terms and conditions (attached).” The standard terms and conditions include “Imperial shall not be liable for any special or consequential damages arising from any breach of its obligations under this Agreement.” and “Notwithstanding anything herein, either party may terminate this Agreement on 30 days notice.”

Petro-Canada

The bid submitted by Petro-Canada, if it was the lowest bid, would be deemed non-responsive in accordance with B14.1 and B14.2 because it does not comply with the requirements of the Bid Opportunity and is unacceptably conditioned.

The bid included a “Pricing Schedule” proposing weekly price adjustments. A second attachment to the bid states “The following terms and conditions is [sic] applicable to each of the pricing schedules offered as part of Petro-Canada’s submission to The City of Winnipeg” and “Discounts and hauling may be re-negotiated annually to ensure all parties, i.e. City of Winnipeg, Petro-Canada and the local Marketer, are all kept in favourably profitable positions during the 3 year period. Prices are subject to review 60 days prior to the end of any operating year. Failure to re-commit or inability to re-negotiate will give both parties 60 days to end the current arrangement.”

The proposed price adjustment does not meet the requirements in B9.13 that “Alternative price adjustment mechanisms must: (c) result in not more than one adjustment per month to the fuel price component of the Total Unit Price.; [and] (f) be determinable, i.e., conditions such as "to be determined" or "to be negotiated" will be deemed non-responsive.”

The evaluated Contract amount would not be the lowest without a substantial price reduction in the second and third years.

Shell Canada Products

The bid submitted by Shell Canada Products, if it was the lowest bid, would be deemed non-responsive in accordance with B14.1 and B14.2 because it does not comply with the requirements of the Bid Opportunity and is unacceptably conditioned.

An attachment to the bid states “Distribution rates are subject to review once annually on the anniversary date on [sic] the contracts commencement. These rates may be adjusted up or down upon agreement by both parties.”
The proposed price adjustment does not meet the requirements in B9.13 that “Alternative price adjustment mechanisms must: (f) be determinable, i.e., conditions such as "to be determined" or "to be negotiated" will be deemed non-responsive.”
The evaluated Contract amount would not be the lowest without a substantial price reduction in the second and third years.

The attachment also states “You or Shell may terminate this agreement upon thirty (30) days’ written notice to the other.”

The Manager of Materials waived the requirements for Bid and Performance Securities, and the execution of a formal contract in accordance with the authority pursuant to Administrative Directive FM-002.

The Contract Administrator is satisfied that the recommended bidder has the necessary experience and resources to perform the work of the contract satisfactorily and in accordance with the requirements of the Contract.

Bids are valid for acceptance until November 22, 2005.

Financial Impact Statement Date: October 5, 2005

Funding for this Contract is through the budgets of the various user departments. These goods are purchased and used by various City departments during the term of the Contract. The financial impact will have to be determined by the user departments on an individual basis. The Contract does not commit the City to purchase any fixed quantity.

"Original signed by Carrie Erickson"
Carrie Erickson
Manager of Finance & Administration

IN PREPARING THIS REPORT THERE WAS CONSULTATION WITH, AND CONCURRENCE BY:

Materials Management Branch
Legal Services Division

THIS REPORT SUBMITTED BY:

Corporate Finance Department
Materials Management Branch
Prepared by: Glenn F. Nakauchi
File No. 300-2005

APPENDIX A - SUMMARY OF BIDS

Alternative 1 – Award as a Whole

Bidder	Evaluated Contract Amount
Federated Cooperatives Ltd.	$48,598,479.97
Husky Oil Marketing Co.	$52,780,650.81
Imperial Oil	$53,664,949.69
Petro-Canada	No bid
Shell Canada Products	$51,484,317.37

Alternative 2 – Award by Section

Bidder	Section	Evaluated Contract Amount
Federated Cooperatives Ltd.	A	$38,822,969.60
	B	10,195,867.01
Husky Oil Marketing Co.	A	$41,993,686.25
	B	10,786,964.56
Imperial Oil	A	$43,016,846.28
	B	10,648,103.41
Petro-Canada	A	No bid
	B	$10,375,525.10
Shell Canada Products	A	$41,688,918.85
	B	10,400,754.88

Note: The evaluated contract amount is the estimated present value of the total contract amount for three years calculated by normalizing bid prices for differences in price determination mechanisms, and is used only for award.

The estimated total contract amount for three years cited earlier in the discussion is not adjusted for time value.

APPENDIX B – EVALUATION OF BIDS

EVALUATION OF BIDS

ALTERNATIVE 1 - AWARD AS A WHOLE

Item No.	Description	Approx. Annual Quantity (litres)	FEDERATED CO-OPERATIVES LTD. Unit Price ($/litre)	FEDERATED CO-OPERATIVES LTD. Approx. Annual Amount	HUSKY OIL MARKETING CO. Unit Price ($/litre)	HUSKY OIL MARKETING CO. Approx. Annual Amount	IMPERIAL OIL Unit Price ($/litre)	IMPERIAL OIL Approx. Annual Amount	PETRO-CANADA Unit Price ($/litre)	PETRO-CANADA Approx. Annual Amount	SHELL CANADA PRODUCTS Unit Price ($/litre)	SHELL CANADA PRODUCTS Approx. Annual Amount
1.	Diesel fuel, Type A-LS	17,942,140	0.7497	$13,451,222.36	0.80447	$14,433,913.37	0.7978	$14,314,239.29			0.7884	$14,145,583.18
2.	Diesel fuel, Type B-LS, Marked	1,567,010	0.6347	994,581.25	0.68947	1,080,406.38	0.6698	1,049,583.30			0.6387	1,000,849.29
3.	Diesel fuel, Locomotive	40,000	0.6977	27,908.00	0.75247	30,098.80	0.7258	29,032.00			0.6947	27,788.00
4.	Furnace fuel, Type 2	119,930	0.6137	73,601.04	0.66147	79,330.10	0.6413	76,911.11			0.6107	73,241.25
5.	Gasoline, Unleaded Regular	4,574,300	0.8342	3,815,881.06	0.90700	4,148,890.10	0.8763	4,008,459.09			0.8459	3,869,400.37
6.	Gasoline, Unleaded Regular, Marked	49,390	0.7192	35,521.29	0.79200	39,116.88	0.7613	37,600.61			0.7309	36,099.15
7.	Additional delivery charge											
	(a) Pine Ridge Gravel Pit	116,990	0.0230	2,690.77	0.01000	1,169.90	0.0000	0.00				0.00
	(b) Ross MB	22,000	0.0230	506.00	0.01000	220.00	0.0000	0.00				0.00
	(c) Hadashville MB	24,000	0.0230	552.00	0.01000	240.00	0.0000	0.00				0.00
	(d) Oakbank MB	313,010	0.0230	7,199.23	0.01000	3,130.10	0.0000	0.00				0.00
	(e) Glenlea MB	44,190	0.0230	1,016.37	0.01000	441.90	0.0000	0.00				0.00
	(f) Portage la Prairie MB	17,100	0.0230	393.30	0.01000	171.00	0.0000	0.00				0.00
	TOTAL			$18,411,072.66		$19,817,128.53		$19,515,825.40				$19,152,961.24
	Evaluated total contract amount			$48,598,479.97		$52,780,650.81		$53,664,949.69				$51,484,317.37

EVALUATION OF BIDS

ALTERNATIVE 2 - AWARD BY SECTION

Item No.	Description	Approx. Annual Quantity (litres)	FEDERATED CO-OPERATIVES LTD. Unit Price ($/litre)	FEDERATED CO-OPERATIVES LTD. Approx. Annual Amount	HUSKY OIL MARKETING CO. Unit Price ($/litre)	HUSKY OIL MARKETING CO. Approx. Annual Amount	IMPERIAL OIL Unit Price ($/litre)	IMPERIAL OIL Approx. Annual Amount	PETRO-CANADA Unit Price ($/litre)	PETRO-CANADA Approx. Annual Amount	SHELL CANADA PRODUCTS Unit Price ($/litre)	SHELL CANADA PRODUCTS Approx. Annual Amount
Section A												
1.	Diesel fuel, Type A-LS	17,942,140	0.7547	$13,540,933.06	0.80447	$14,433,913.37	0.7978	$14,314,239.29			0.7964	$14,289,120.30
2.	Diesel fuel, Type B-LS, Marked	1,567,010	0.6397	1,002,416.30	0.68947	1,080,406.38	0.6698	1,049,583.30			0.6467	1,013,385.37
3.	Diesel fuel, Locomotive	40,000	0.7027	28,108.00	0.75247	30,098.80	0.7258	29,032.00			0.7027	28,108.00
4.	Furnace fuel, Type 1	119,930	0.6187	74,200.69	0.66147	79,330.10	0.6413	76,911.11			0.6187	74,200.69
7.	Additional delivery charge											
	(a) Pine Ridge Gravel Pit	116,990	0.0230	2,690.77	0.01000	1,169.90	0.0000	0.00			0.0000	0.00
	(b) Ross MB	20,000	0.0230	460.00	0.01000	200.00	0.0000	0.00			0.0000	0.00
	(c) Hadashville MB	20,000	0.0230	460.00	0.01000	200.00	0.0000	0.00			0.0000	0.00
	(d) Oakbank MB	193,760	0.0230	4,456.48	0.01000	1,937.60	0.0000	0.00			0.0000	0.00
	(e) Glenlea MB	26,590	0.0230	611.57	0.01000	265.90	0.0000	0.00			0.0000	0.00
	(f) Portage la Prairie MB	7,490	0.0230	172.27	0.01000	74.90	0.0000	0.00			0.0000	0.00
	SUBTOTAL			$14,654,509.14		$15,627,596.95		$15,469,765.70				$15,404,814.35
	Evaluated contract amount			$38,822,969.60		$41,993,686.25		$43,016,846.28				$41,688,918.85
Section B												
5.	Gasoline, Unleaded Regular	4,574,300	0.8442	$3,861,624.06	0.90700	$4,148,890.10	0.8763	$4,008,459.09	0.8978	$4,106,806.54	0.8569	$3,919,717.67
6.	Gasoline, Unleaded Regular, Marked	49,390	0.7292	36,015.19	0.79200	39,116.88	0.7613	37,600.61	0.7828	38,662.49	0.7419	36,642.44
7.	Additional delivery charge											
	(a) Pine Ridge Gravel Pit	0	0.0230	0.00	0.01000	0.00	0.0000	0.00		0.00	0.0000	0.00
	(b) Ross MB	2,000	0.0230	46.00	0.01000	20.00	0.0000	0.00	0.0346	69.20	0.0000	0.00
	(c) Hadashville MB	4,000	0.0230	92.00	0.01000	40.00	0.0000	0.00	0.0346	138.40	0.0000	0.00
	(d) Oakbank MB	119,250	0.0230	2,742.75	0.01000	1,192.50	0.0000	0.00	0.0046	548.55	0.0000	0.00
	(e) Glenlea MB	17,600	0.0230	404.80	0.01000	176.00	0.0000	0.00	0.0296	520.96	0.0000	0.00
	(f) Portage la Prairie MB	9,610	0.0230	221.03	0.01000	96.10	0.0000	0.00	0.0226	217.19	0.0000	0.00
	SUBTOTAL			$3,901,145.83		$4,189,531.58		$4,046,059.70		$4,146,963.33		$3,956,360.11
	Evaluated contract amount			$10,195,867.01		$10,786,964.56		$10,648,103.41		$10,375,525.10		$10,400,754.88
	Evaluated total contract amount			$49,018,836.62								

EVALUATION OF BIDS

PRICE ADJUSTMENT MECHANISM

		FEDERATED CO-OPERATIVES LTD.		HUSKY OIL MARKETING CO.		IMPERIAL OIL		PETRO-CANADA		SHELL CANADA PRODUCTS	
Index / reference		Industry average crude oil price at Edmonton		Industry average rack prices at Winnipeg		Industry average rack prices at Edmonton		Petro-Canada average rack prices at Winnipeg		Industry average rack prices at Edmonton	
		Bid	Projected	Bid	Projected	Bid	Projected	Bid	Projected	Bid	Projected
	Item No. 1	485.210	2006: 395.350 2007: 394.050 2008: 410.910	0.61447 Diesel LS seasonal	2006: 0.520 2007: 0.525 2008: 0.550	0.6078 Diesel LS No. 1	2006: 0.545 2007: 0.550 2008: 0.575			0.6298 Stove oil	2006: 0.545 2007: 0.550 2008: 0.575
	Item No. 2	485.210	2006: 395.350 2007: 394.050 2008: 410.910	0.61447 Diesel LS seasonal	2006: 0.520 2007: 0.525 2008: 0.550	0.5948 Diesel LS seasonal	2006: 0.510 2007: 0.515 2008: 0.540			0.5931 Diesel LS seasonal	2006: 0.510 2007: 0.515 2008: 0.540
	Item No. 3	485.210	2006: 395.350 2007: 394.050 2008: 410.910	0.61447 Diesel LS seasonal	2006: 0.520 2007: 0.525 2008: 0.550	0.5878 Diesel RS seasonal	2006: 0.503 2007: 0.508 2008: 0.533			0.5861 Diesel RS seasonal	2006: 0.503 2007: 0.508 2008: 0.533
	Item No. 4	485.210	2006: 395.350 2007: 394.050 2008: 410.910	0.60747 Furnace oil seasonal	2006: 0.513 2007: 0.518 2008: 0.543	0.5878 Furnace oil seasonal	2006: 0.503 2007: 0.508 2008: 0.533			0.5861 Furnace oil seasonal	2006: 0.503 2007: 0.508 2008: 0.533
	Item No. 5	485.210	2006: 395.350 2007: 394.050 2008: 410.910	0.65700 Gasoline ULR	2006: 0.541 2007: 0.547 2008: 0.573	0.6263 Gasoline ULR	2006: 0.531 2007: 0.537 2008: 0.563	0.6784 Gasoline ULR	2006: 0.541 2007: 0.547 2008: 0.573	0.6253 Gasoline ULR	2006: 0.531 2007: 0.537 2008: 0.563
	Item No. 6	485.210	2006: 395.350 2007: 394.050 2008: 410.910	0.65700 Gasoline ULR	2006: 0.541 2007: 0.547 2008: 0.573	0.6263 Gasoline ULR	2006: 0.531 2007: 0.537 2008: 0.563	0.6784 Gasoline ULR	2006: 0.541 2007: 0.547 2008: 0.573	0.6253 Gasoline ULR	2006: 0.531 2007: 0.537 2008: 0.563
Conversion factor	Units		0.001		1		1		1	1	1
	Currency		1		1		1		1		1
LS to ULS adjustment (Projected)		0.0250		0.0300		0.0250				0.0250	

Interest rate 2005 09 23 3.22%