Agenda - Executive Policy Committee - November 12, 2008

REPORTS

Item No. 4 Award of Contract - Supply and Delivery of Fuels
File GL-9

WINNIPEG PUBLIC SERVICE RECOMMENDATION:

That the contract for Supply and Delivery of Fuels for the period of January 1, 2009 to December 31, 2009 Alternative 1 (Award as a whole) based on Type B ULS Diesel, with the option of two mutually agreed upon one (1) year extensions, be awarded to Petro-Canada, the bidder who submitted the most advantageous bid.

RE: AWARD OF CONTRACT FOR THE SUPPLY AND DELIVERY OF FUELS, BID OPPORTUNITY 714-2008

FOR SUBMISSION TO: Executive Policy Committee

ORIGINAL REPORT SIGNED BY: Chief Financial Officer

REPORT DATE: October 24, 2008

RECOMMENDATION:

That the contract for Supply and Delivery of Fuels for the period of January 1, 2009 to December 31, 2009 Alternative 1 (Award as a whole) based on Type B ULS Diesel, with the option of two mutually agreed upon one (1) year extensions, be awarded to Petro-Canada, the bidder who submitted the most advantageous bid.

Report Summary

Key Issues:

The contract is for the supply and delivery of fuels, including diesel, gasoline and furnace fuel for the City, and for cooperative purchases including those by the University of Manitoba and multiple school divisions.

The estimated contract amount of $31,566,189.99 does not include the amount of any cooperative purchases.

Bids were received from Petro-Canada and Imperial Oil Ltd.

The Public Service advises that it is in the best interest of the City to award the contract based upon Type B ULS Diesel fuel.

Implications of the Recommendation(s):

General Implications

(X) None

( ) For the organization overall and/or for other departments

( ) For the community and/or organizations external to the City

( ) Involves a multi-year contract

Comment(s):

Policy Implications

(X) No

( ) Yes

Comment(s):

Regulatory Implications

(X) None

( ) Eliminates or reduces regulatory impact

( ) Proposes regulatory impact

Comment(s):

Environmental Implications

() No

(X) Yes

Comment(s):

See comments under the Discussion section from the City's Environmental Coordinator.

Human Resources Implications

(X) No

( ) Yes

Comment(s):

Financial Implications

(X) Within approved current and/or capital budget

( ) Current and/or capital budget adjustment required

Comment(s):

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.

Report

REASON FOR THE REPORT:

As the total conditional amount to be paid by the City pursuant to the contract is estimated to be $31,566,189.99 plus GST, and the contract is for a purchase that obligates the City to order goods only when required by the City and only in quantities required by the City, the Executive Policy Committee may approve the award of contract pursuant to the Materials Management Policy.

HISTORY:

Every three years Materials Management has issued a Bid Opportunity for the Supply and Delivery of Fuels for various City departments and cooperative purchase participants on an “as required” basis.

Bid Opportunity 145-2008 for the Supply and Delivery of Diesel Fuel, Furnace Fuel and Gasoline was issued by the Materials Management Division on August 5, 2008. Its submission deadline was September 8, 2008. No award was made as all bids were determined to be non-responsive. Pricing for bids was not posted on the Materials Management website.

On October 17, 2008 the Chief Financial Officer approved a “no award” report regarding 145-2008.

DISCUSSION:

Bid Opportunity 714-2008 was issued to all bidders who had responded to 145-2008, the current fuel supplier and to other known fuel suppliers in the industry on September 15, 2008 with a submission deadline of September 30, 2008.

Bid Opportunity 714-2008 allowed for bidding on Type A ULS Diesel or Type B ULS Diesel or a combination of both. This was a change in approach from Bid Opportunity 145-2008 which only provided for Type A ULS Diesel.

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 shown on Form B: Prices, adjusted for the time value of money.

Bids were received from two bidders, Imperial Oil Ltd. and Petro-Canada. Due to supply uncertainty, other fuel companies indicated that they were unable to bid at this time, but requested to be notified for future bid opportunities.
The Bid Opportunity also stated that the Contract may be awarded as a whole (Alternative 1) or separately in sections (Alternative 2), and further that the award would be for either Type A ULS Diesel or Type B ULS Diesel, or a combination of both.

Bidder	Alternative 1 (award as a whole)		Alternative 2 (award by section)	
	Type A	Type B	Type A	Type B
Petro-Canada	✓	✓	✓	✓
Imperial Oil Ltd	**NO BID**	✓	**NO BID**	✓

As indicated in the preceding table, Imperial Oil Ltd. and Petro-Canada bid on Alternative 1 and Alternative 2 for Type B ULS Diesel. Petro-Canada also bid on both Alternatives for Type A ULS Diesel. Imperial Oil did not bid Type A ULS Diesel.

The Petro-Canada bid is the lowest for Alternative 1 based on Type B ULS Diesel and for all Sections of Alternative 2 based on Type B ULS Diesel. The Petro-Canada bid for Alternative 1 (award as a whole) for Type B ULS Diesel, results in the lowest evaluated contract amount.

The Petro-Canada bid is the only bid for Alternative 1 based on Type A ULS Diesel and for all Sections of Alternative 2 based on Type A ULS Diesel. It is estimated that an award of contract based on Type A ULS Diesel would cost the City an additional $5.5 Million annually.

It is therefore recommended that the contract be awarded as a whole for Type B ULS Diesel because it is the alternative that is in the best interest of the City.

The bid submitted by Petro-Canada complied with the requirements of the Bid Opportunity.

The City's Environmental Coordinator was consulted with respect to choosing between Type B ULS Diesel or Type A ULS Diesel and he advised that:

- Type B ULS Diesel can be shipped through existing pipelines.
- Type A ULS Diesel has to be trucked in from Edmonton which may offset any marginal environmental benefits from use of Type A ULS Diesel.
- The cost premium for Type A ULS Diesel is not proportionate to its environmental benefits.
- The cost premium would make it difficult for the City of Winnipeg to expand the use of biodiesel in our vehicle fleet.

- Type B ULS Diesel is acceptable to Translink, the South Coast British Columbia Transportation Authority that operates under British Columbia's tighter air quality guidelines.
- The cost premium that could result from the use of Type A ULS Diesel would be better spent in areas with greater environmental impact, such as new buses for Transit.

The estimated total contract amount is $31,566,189.99. Users such as the University of Manitoba and the school divisions which purchase fuel pursuant to this cooperative purchase will be responsible to set up their own contracts and pay for their own fuel.

The Manager of Materials waived the requirements for Bid and Performance Securities, and the execution of a formal contract in accordance with the authority delegated to her 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.

The bids are valid for acceptance until December 29, 2008. An award of contract in early November is required to facilitate the transition of the work to the new contractor.

It is therefore recommended that Petro-Canada be awarded the Contract for the Supply and Delivery of Fuels Alternative 1 (award as a whole) in the estimated amount of $31,566,189.99 (GST extra) based on Type B ULS Diesel.

Financial Impact Statement Date: Oct 24, 2008

Funding for this Contract is through the budgets of the various user departments. This good is 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:

Internal Consultation With and Concurrence By:

Materials Management Division
Internal Services-Legal Services Division – as to legal issues

External Consultation With:

THIS REPORT SUBMITTED BY:

Department Corporate Finance
Division Materials Management
Prepared by: Corinne Evason
File No. 714-2008