

## COUNCIL ACTION FORM

**SUBJECT: ELECTRIC SERVICES FUEL SUPPLY CONTRACT**

**BACKGROUND:**

This contract is for the purchase of ultra low sulfur diesel fuel for Electric Services. The Utility has a 250,000-gallon main fuel tank located at the Dayton Substation to fuel the two GT (gas-turbine) units. The City also has two 42,000-gallon underground fuel tanks located in the coal yard, south of the Power Plant, to assist in the start-up of the Plant. The Utility's two gas-turbines could burn 250,000 gallons of fuel in a 60 hour time period, requiring larger refill volumes and quick refills should an emergency dictate that they stay on-line.

The scope of work for this contract includes supplying fuel to the Power Plant as needed. Vendors were asked to supply pricing based in the form of a markup to the daily-published "rack" average fuel price at the Des Moines, Iowa, terminal for stated products. The City staff receives a daily electronic mail from the Iowa Department of Transportation stating the product's average price. If the City needs to purchase fuel, staff can determine instantly if the price is favorable based on market trends and then call the vendor to state the quantity and the delivery time. This allows the contracted vendor to secure large fuel orders and lock in prices for the City. The contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms.

The goal of the contract is to create efficiency and flexibility in the purchase of a valuable commodity, ensuring that the City is able to use opportunity purchasing and to lock in performance criteria for the vendors. Council should note that the Power Plant is currently purchasing this fuel with a provider under a contract that expires on June 30, 2011.

On March 28, 2011, a Request for Proposal (RFP) document was issued to eleven firms for proposals. The RFP was advertised on the Current Bid Opportunities section of the Purchasing webpage and was also sent to one plan room.

On May 5, 2011, staff received competitive sealed proposals from five firms. These proposals were then sent to a committee for evaluation. The committee consisted of the Power Plant Manager and two Power Plant Engineers.

The committee members independently evaluated and scored all five of the proposals. Each proposal was evaluated based on price, service related capabilities, response to RFP, delivery time, and references.

Based on the matrix, the averaged scores are as follows:

OFFERERS	AVERAGED SCORE
Diamond Oil Co., Des Moines, Iowa	940.00
Fausser Energy Resources, Elgin, Iowa	885.53
Keck Energy, Des Moines, Iowa	828.60
New Century Farm Service, Grinnell, Iowa	814.33
Petroleum Traders Corporation, Fort Wayne, Indiana	745.87
Petroleum Traders Corporation ALT 1 Fort Wayne, Indiana	Non-Responsive

Overall, 1,000 possible points were possible for each offer.

The alternate proposed by Petroleum Traders Corporation was determined to be non-responsive because the type of fuel offered was not in compliance with the fuel specified in the RFP.

Based on the averaged scores and a unanimous decision by the evaluation committee, it is recommended that a contract be awarded to Diamond Oil Co., Des Moines, Iowa, for \$1,250,000. **Council should note that actual cost Invoices will be based on the amount of fuel purchased and the price of the fuel at the time of purchase. The total cost of fuel purchased under this contract is estimated to be \$1,250,000.**

The approved FY 2011/12 operating budget includes \$1,250,000 for this fuel purchase.

**ALTERNATIVES:**

1. Award a contract for supplying diesel fuel to the City's Power Plant to Diamond Oil Co., Des Moines, Iowa, **in an amount not to exceed \$1,250,000.** The contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms.
2. Reject all proposals and purchase fuel on daily bids.

**MANAGER'S RECOMMENDED ACTION:**

This contract will offer the City the ability to have flexibility in fuel purchasing and to maintain standards of performance for fuel content and fuel delivery. When the City needs to purchase fuel, Utility staff can determine instantly if the price is favorable based on market trends. Detailed ordering and delivery procedures will also be part of this contract.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby awarding a contract for supplying diesel fuel to the City's Power Plant to Diamond Oil Co., Des Moines, Iowa, in an amount not to exceed \$1,250,000.00. The contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms.



**2011-150 #2 ULTRA LOW SULFUR DIESEL FUEL FOR  
POWER PLANT**

**BUDGET: \$1,250,000**

<b>Offerer</b>	<b>Markup</b>	<b>Estimated price per truckload**</b>	<b>Estimated Annual Costs (based on 47 truckloads)</b>
Diamond Oil Co., Des Moines, Iowa	\$0.0068	\$20,481.38	\$962,624.63
Fauser Energy Resources, Elgin, Iowa	\$0.0079	\$20,490.00	\$963,030.00
New Century Farm Service, Grinnell, Iowa	\$0.0100	\$20,505.75	\$963,770.25
Keck Energy, Des Moines, Iowa	\$0.0110	\$20,513.25	\$964,122.75
Petroleum Traders Corporation, Fort Wayne, Indiana	\$0.0137	\$20,533.50	\$1,026,675.00
Petroleum Traders Corporation, ** ALT 1 ** Fort Wayne, Indiana	Non-Responsive		

\*\* Based on transport load of 7,500 gallons and \$2.7241 average price per gallon.  
Average price per gallon from the week of Aug 23, 2010, to the week of May 11, 2011  
(Per Iowa DOT website on #2 Ultra Low Sulfur Diesel).