

**COUNCIL ACTION FORM**

**SUBJECT:**           **ELECTRIC SERVICES FUEL SUPPLY CONTRACT**

**BACKGROUND:**

This contract is for the purchase of #2 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 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 gas turbines units as needed. Suppliers were asked to provide 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.

**This contract is to supply #2 ultra low sulfur diesel fuel to Electric Services for the period from August 28, 2019 through June 30, 2020. 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 suppliers.

On August 1, 2019, bid documents were issued to sixteen companies. The bid was advertised on the Current Bid Opportunities section of the Purchasing webpage and a legal notice was published in the Ames Tribune. The bid was also sent to one plan room.

On August 21, 2019, 3 bids were received as shown on the attached report. Staff has reviewed the bids and concluded that the apparent low bid submitted by Diamond Oil, in the amount of (-\$0.0062) deduct off of the Magellan "rack" fuel price, and in the amount of \$0.0163 increase off of the Buckeye "rack" fuel price is acceptable. Magellan and Buckeye are two fueling terminals. Buckeye tends to have a more consistent and better fuel quality, which makes it the preferred terminal. However, if delivery is unavailable from Buckeye, having Magellan as an alternative is a necessity.

**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 based on typical usage is estimated to be**

**\$140,659.80.** The approved FY 2019/20 operating budget includes \$150,000 for this fuel purchase.

**ALTERNATIVES:**

1. Award a contract for supplying diesel fuel to the City's gas turbine units to Diamond Oil, in the amount of (-\$0.0062) deduct off of the Magellan "rack" fuel price, and in the amount of \$0.0163 increase off of the Buckeye "rack" fuel price with a total amount not-to-exceed \$150,000. The contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms.
2. Award a contract to one of the other bidders.
3. Reject all bids 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. 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 as stated above.

<b>CITY OF AMES, IOWA</b>									
Ph: 515-239-5125 * Fax: 515-239-5325 Mike Adair, Procurement Specialist II									
<b>Bid No. 2020-012</b>		Magellan Terminal ULSD #2 (Add +)	Magellan Terminal ULSD #2 (Subtract -)	Buckeye Terminal ULSD #2 (Add +)	Buckeye Terminal ULSD #2 (Subtract -)	** Estimated Price Per Truckload (Magellan)	** Estimated Price Per Truckload (Buckeye)	Estimated Annual Cost [Based on Ten (10) Transport Loads] Magellan	Estimated Annual Cost [Based on Ten (10) Transport Loads] Buckeye
<b>#2 Diesel Fuel Supply Contract City of Ames Power Plant</b>									
<b>BIDDERS</b>									
<b>Diamond Oil</b>			\$0.0062	\$0.0163		\$13,899.42	\$14,065.92	\$138,994.20	\$140,659.20
<b>Petroleum Traders Corp</b>		\$0.0292		\$0.0367		\$14,161.38	\$14,216.88	\$141,613.80	\$142,168.80
<b>Keck Energy</b>		\$0.0310		\$0.0610		\$14,174.70	\$14,396.70	\$141,747.00	\$143,967.00
** Based on a transport load of 7,400 gallons and \$1.8845/Gallon.									
Price per gallon on 8/21/19. Per Iowa DOT website for #2 ULSD.									

<b>CITY OF AMES, IOWA</b>				
Ph: 515-239-5125 * Fax: 515-239-5325 Mike Adair, Procurement Specialist II				
<b>Bid No. 2020-012</b>				
<b>#2 Diesel Fuel Supply Contract City of Ames Power Plant</b>	<b>Contract Period (7/1/20 - 6/30/21) Percentage Increase</b>	<b>Contract Period (7/1/20 - 6/30/21) Percentage Increase</b>	<b>Contract Period (7/1/20 - 6/30/21) Percentage Increase</b>	<b>Contract Period (7/1/20 - 6/30/21) Percentage Increase</b>
<b>BIDDERS</b>				
<b>Diamond Oil</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Petroleum Traders Corp</b>	<b>0.00%</b>	<b>0.00%</b>	<b>10.00%</b>	<b>15.00%</b>
<b>Keck Energy</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>	<b>5.00%</b>