

COUNCIL ACTION FORM

SUBJECT: AWARD OF CONTRACT FOR THE CITY OF AMES ELECTRIC SERVICES GENERATION DIESEL FUEL SUPPLY

BACKGROUND:

This bid is for the purchase of low sulfur diesel fuel for the Electric Services Department. The utility has a 250,000-gallon main fuel tank located at the Dayton Substation. The Utility also has two 42,000-gallon underground fuel tanks located in the coal yard, south of the Power Plant. The Power Plant has 2 gas-turbines which could burn 250,000 gallons of fuel in a 60-hour time period requiring larger refill volumes. Currently the City of Ames does individual competitive bids for each load needed by Departments. Due to the Power Plant's necessity for large volumes, long-term contracts are being sought at this time. Problems have arisen trying to supply the Electric Utility with fuel. The petroleum market is a constantly changing commodity market and often times in order for suppliers to secure enough product to satisfy the Utility's needs, the turn around time from quoted price to confirmed order price may be less than 20 minutes. In the past, this has not allowed the City enough time to receive quotes, have the Utility approve of product and price, and receive the necessary authorization to make the purchase. The cost of such product at current price trends may involve single orders of over \$300,000.

In addition, due to DNR and EPA regulations regarding fuel type, sulfur content, and delivery procedures, the City must have verifiable product content entering its storage tanks and must have competent fuel delivery firms delivering the product. The formal contract which is being put in place establishes fuel content criteria and testing and delivery procedures. The contract would also allow the City to hold one contractor liable for infractions.

On October 19, 2006, bids were initially received. Due to various issues concerning fuel specifications, warranties on the gas turbines, and changing DNR regulations, the award of contract was delayed while the issues were researched. In February of 2008, all bidders were contacted and asked to submit new quotes for this contract. On March 6, 2008, new proposals were received as follows on the attached report.

Vendors were asked to supply pricing based on adders to the daily-published rack average fuel price at the Des Moines, Iowa, terminal for stated products. The City's purchasing and Power Plant staff, along with the contractors, receive 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 goal of the contract is to create efficiency and flexibility in the purchase of a valuable commodity, insuring that the City is able to use opportunity purchasing and to lock in performance criteria for the vendors. This contract will run through June 30, 2009, and contains options to renew in one-year increments at the end of that time period..

Based on the review of bids staff has determined that the apparent low bidder, Keck, Inc., Des Moines, IA, meets these standards.

ALTERNATIVES:

1. Award a contract for supplying diesel fuel to the City's Power Plant, to Keck, Inc., Des Moines, Iowa, in an amount not to exceed \$1,000,000.00, through June 30, 2009.
2. Reject all bids and continue to purchase fuel on daily bids.

MANAGER'S RECOMMENDED ACTION:

This contract will offer the City the ability to have flexibility in its purchasing power and to emplace standards of performance for fuel content and fuel delivery for the balance of this fiscal year.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, awarding a contract for supplying diesel fuel to the City's Power Plant, to Keck, Inc., Des Moines, Iowa, in an amount not to exceed \$1,000,000.00.

City of Ames Contract 2007-006

Cost Evaluations

Iowa Department of Transportation		Vendors										
Rack Average Cost Des		Campbell		Keck Oil		Heart of		Petroleum		New		
Moines, March 10, 2008		Oil		Oil		Iowa		Traders		Century FS		
Product	Average Price	Transport	* includes	Estimated Price for	* includes	Estimated Price for	Estimated Price for	Estimated Price for	Estimated Price for	Estimated Price for	Estimated Price for	
	per gallon	load (gallons)	\$.001 oil spill tax	1 load	\$.001 oil spill tax	1 load	1 load	1 load	1 load	1 load	1 load	
		Add to Avg		Add to Avg		Add to Avg		Add to Avg		Add to Avg		
<i>LSLA Diesel #2</i>	3.2343	7500		\$ 24,257.25	\$0.0120	\$ 24,347.25		\$ 24,257.25	\$ 0.0430	\$ 24,579.75	\$ 0.0120	\$ 24,347.25
Ultra LS Diesel #1	3.2815	7500	\$0.0297	\$ 24,834.00	\$0.0120	\$ 24,701.25		\$ 24,611.25	\$ 0.1800	\$ 25,961.25	\$ 0.0090	\$ 24,678.75
Ultra LS Diesel #2	3.2199	7500	\$0.0150	\$ 24,261.75	\$0.0120	\$ 24,239.25	\$ 0.0322	\$ 24,391.09	\$ 0.0430	\$ 24,471.75	\$ 0.0150	\$ 24,261.75
Number of Transports available in one day			5		6		6		10		4-6	
Number of company trucks			2		6		5		0		4-6	
Asphaltine Free			Yes		Yes							
Complies with Fill Procedures			Yes		Yes		Yes		Yes		Yes	
Can common carriers be used			Yes		Yes		Yes	Three	Yes		Yes	
Weekend and Holiday delivery			Yes		Yes	advance	Yes		Yes			
Does price include EPA fee for U.G. tanks			No									
Terminal Used			Magellan		Magellan		DSM				Bloominton	Illinois
Time order to be placed by			8:30		10:00		8:15		9:00		8:30	
Minimum order size			7200		7000 gal		NA		7000gal		1	
Maximum order size			7900		7500 fal		NA		7500gal		6 per day	