

**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 July 1, 2016 through June 30, 2017. 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. Council should note that the Electric Service is currently purchasing this fuel with a supplier under a contract that expires on June 30, 2016.

On March 17, 2016, 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 April 13, 2016, five bids were received as shown on the attached report. **Staff has reviewed the bids and concluded that the apparent low bid submitted by Keck Energy, Des Moines, IA, in the amount of (-\$0.0061) deduct off of the "rack" fuel price is acceptable.**

**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 \$84,539.08.**

The approved FY 2016/17 operating budget includes \$300,000 for this fuel purchase.

**ALTERNATIVES:**

1. Award a contract for supplying diesel fuel to the City's gas turbine units to Keck Energy, Des Moines, IA, at (-\$0.0061) deduct off of rack fuel price in an amount not-to-exceed \$300,000. 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 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.



### 2016-146 #2 ULTRA LOW SULFUR DIESEL FUEL FOR POWER PLANT

Bidder	Markup / Deduct	Rack Price / Gal	Total Price / Gal	Estimated price per truckload**	Estimated Annual Costs (based on 10 truckloads)
Keck Energy, Des Moines, Iowa	-\$0.0061	\$1.1485	\$1.1424	\$8,453.91	\$84,539.08
Diamond Oil Co., Des Moines, Iowa	\$0.0059	\$1.1485	\$1.1544	\$8,542.71	\$85,427.08
New Century Farm Service, Grinnell, Iowa	\$0.0140	\$1.1485	\$1.1625	\$8,602.65	\$86,026.48
Petroleum Traders Corporation, Fort Wayne, Indiana	\$0.0213	\$1.1485	\$1.1698	\$8,656.67	\$86,566.68
Fausser Energy Resources, Elgin, Iowa	\$0.0275	\$1.1485	\$1.1760	\$8,702.55	\$87,025.48

\*\* Based on transport load of 7,400 gallons and \$1.1485 average price per gallon. Average price per gallon from April 4, 2016 to April 8, 2016 (Per Iowa DOT website on #2 Ultra Low Sulfur Diesel).