

ITEM #: 29  
DATE: 05-14-24  
DEPT: ELEC

**COUNCIL ACTION FORM**

**SUBJECT:**            **FY 2024/25 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 CT (combustion-turbine) units. The 250,000 gallon tank provides enough fuel for the two combustion-turbines to produce maximum electrical generation for only three continuous days. The tank will require larger refill volumes and quick refills should an emergency dictate that the CTs stay on-line.

The scope of work for this contract includes supplying fuel to the CT 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, 2024 through June 30, 2025. The contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms at a cost increase of 5% per year.

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 April 26, 2024, 3 bids were received as shown in the table below:

<b>Vendor</b>	<b>Buckeye Terminal Cost</b>	<b>Magellan Terminal Cost</b>
Sunoco, LLC Dallas, TX	\$0.0222	\$0.0222
Petroleum Traders, Corp Fort Wayne, IN	\$0.0752	\$0.0436
New Century FS Grinnell, IA	\$0.0600	\$0.0600

**Staff has reviewed the bids and concluded that the apparent low bid submitted by Sunoco, LLC, in the amount of \$0.0222 increase on the Magellan “rack” fuel price, and in the amount of \$0.0222 on 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 approved FY 2024/25 operating budget includes \$300,000 for diesel fuel purchases.

**ALTERNATIVES:**

1. Award a contract for supplying diesel fuel to the City's combustion turbine units for FY 2024/25 to Sunoco, LLC, in the amount of \$0.0222 increase on the Magellan "rack" fuel price, and in the amount of \$0.0222 increase on the Buckeye "rack" fuel price with a total 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 at an annual increase in cost of 5% per year.
2. Award a contract to one of the other bidders.
3. Reject all bids and purchase fuel on a daily basis.

**CITY 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.