



**STAFF REPORT
ACTION REQUIRED**

**Request for Quotation 6902-07-3168
For the supply, delivery and off-loading of Pre-blended
Ethanol Unleaded Gasoline, and Pre-blended Bio-diesel and
Low Sulphur Diesel Fuels**

Date:	December 5, 2007
To:	Bid Committee
From:	Director, Purchasing and Materials Management
Wards:	All
Reference Number:	Request for Quotation 6902-07-3168

SUMMARY

The purpose of this report is to advise on the results of the Request for Quotation (RFQ) 6902-07-3168, issued for the supply, delivery and off-loading of pre-blended ethanol unleaded gasoline (E10, Octane 87) and seasonally adjusted pre-blended bio-diesel (at concentrations specified in the RFQ) and low sulphur clear and coloured diesel fuels to various City of Toronto Divisions, all in accordance with specifications of the Request for Quotation, and to request authority to award a contract to the recommended bidder.

RECOMMENDATIONS

The Director, Purchasing and Materials Management recommends that:

- (1) authority be granted to award a contract for RFQ 6902-07-3168 to Suncor Energy Products Inc., being the overall lowest bidder meeting specifications in Price Schedule "A" and Price Schedule "B" in the total estimated amount of \$12,873,280.20 net of GST including all applicable charges and taxes, subject to monthly adjustments based on the Bloomberg Oil Buyers Guide, from January 1, 2008 to December 31, 2008 for the supply, delivery and off-loading of pre-blended ethanol unleaded gasoline (E10, Octane 87) in the estimated amount of \$3,683,340.00 net of GST, seasonally adjusted pre-blended bio-diesel fuels (at concentrations specified in the RFQ) in the estimated amount of \$5,927,657.72, clear on-road low-sulphur diesel fuel in the estimated amount of \$2,068,826.55 net of GST, and coloured off-road low-sulphur diesel fuel in the estimated amount of \$1,193,455.93 net of GST to various City of Toronto Divisions, for a total potential estimated contract award of \$12,873,280.20 net of GST.

FINANCIAL IMPACT

The total contract award identified in this report is \$13,516,944.21 including all applicable taxes and charges. The cost to the City net of GST is \$12,873,280.20.

The Operating budget for Fleet Services includes expenditures for acquisition of gasoline and diesel fuels that are charged back to the user programs based on consumption levels, except for programs that manage their own fuel operations. Funds will be included in the 2008 Operating Budget submissions of the respective Divisions and ABCs.

Below is a summary of the funding requirements for all participating Divisions net of GST for the period commencing January 1, 2008 to December 31, 2008.

Division	Account	Ethanol Unleaded Gasoline (E10, Octane 87) Net of GST	Clear Low Sulphur Diesel Fuel, for On-road use Net of GST	Seasonally Adjusted Bio-diesel (at concentrations specified in the RFQ) Net of GST	Coloured Low-Sulphur Diesel Fuel, for Off-road use & Generators Net of GST	Total Cost Net of GST
Fleet Services	FL200-300	\$3,376,395.00	\$1,075,165.35	\$5,927,657.72	\$26,922.00	\$10,406,140.07
Emergency Medical Services	B41100	Not applicable	Not applicable	Not applicable	\$1,823.00	\$1,823.00
Solid Waste Management	Various under GL #s 2260, 2280 & 2281	Not applicable	\$247,590.00	Not applicable	\$600,000.61*	\$847,590.61
Toronto Water	WW2055	\$42,750.00	\$24,759.00	Not applicable	\$12,735.48	\$80,244.48
Parks Forestry & Recreation	P00821 P07645 P07646 P07647 P07648 P07649 P00009 P00010 P00011 P00012 P00013 P00014 P00148	\$191,520.00	\$36,313.20	Not applicable	\$370,369.80	\$598,203.00
Fire Services	FR0025	\$72,675.00	\$684,999.00	Not applicable	\$24,939.00	\$782,613.00
Transportation Services	TP0120	Not applicable	Not applicable	Not applicable	\$76,920.00	\$76,920.00
Facilities & Real Estate	GL (2530)	Not applicable	Not applicable	Not applicable	\$68,808.04	\$68,808.04
Homes For The Aged	D3A061 D3B061 D3C061 D3D061 D3E061 D3F061 D3G061 D3J061 D3K061 D3L061	Not applicable	Not applicable	Not applicable	\$10,938.00	\$10,938.00
		\$3,683,340.00	\$2,068,826.55	\$5,927,657.72	\$1,193,455.93	\$12,873,280.20
Grand Total						

*\$24,000.00 has been budgeted in a capital budget account. The remainder is budgeted in operating budget accounts.

The Deputy City Manager and Chief Financial Officer has reviewed this report and has agreed with the financial impact information.

ISSUE BACKGROUND

The City of Toronto operates three cleaner fuels programs to reduce the greenhouse gas and smog pollutants emitted from fuels burned in City vehicles. This award supports all three programs:

1) On-road fuel for off-road use. Since 2000 the City has proactively purchased lower-sulphur on-road diesel fuel for its off-road operations in accordance with the City's Low Sulphur Fuel Purchase Policy. As of October 2007, Federal regulation requires on-road diesel to contain less sulphur (maximum 15 ppm) than off-road diesel (maximum 500 ppm). When the fuel is burned in vehicles on-road fuel emits less of the sulphur oxides that contribute to acid rain and poor air quality. In October 2010, the allowable level of sulphur in off-road diesel fuel will be reduced to 15 ppm. Until such time, the City of Toronto will continue to purchase on-road diesel for off-road use to reap the air quality benefits of this cleaner fuel. This award recommends the purchase of on-road fuel for off-road use, reducing the air quality impacts from the City's fuel.

2) Ethanol in gasoline. The Government of Ontario requires gasoline sold in the province to contain an average of five percent ethanol. On a lifecycle basis, ethanol can lower greenhouse gas emissions relative to gasoline since ethanol is produced from renewable sources that recycle carbon dioxide from the atmosphere. With this award Toronto would again go beyond the provincial requirement and purchase gasoline containing ten percent ethanol.

3) Biodiesel. Toronto purchases on-road diesel fuel containing biodiesel. This biodiesel is made from soybeans and replaces diesel from fossil sources, which can reduce emissions of greenhouse gases and some smog-causing air pollutants. In 2007, the City's participating fleet has used on-road diesel fuel containing five percent biodiesel (known as B5) all year. This award would increase the amount of biodiesel used by the City, and increase the air quality benefits. For 2008, the City intends to use on-road diesel fuel containing five percent biodiesel (B5) in January-March and November-December, B10 in April-May and September-October and B20 in June-August. Biodiesel concentrations will be higher in the warmer months since biodiesel performs best in warmer temperatures.

The supply of fuel is for fuel sites operated across the City. The estimated quantity levels and applicable costs have been calculated using projected consumption levels supplied by the individual programs for their individual needs based on historical experience.

The RFQ was structured in two parts, Schedule "A" Gasoline for pre-blended ethanol unleaded gasoline and Schedule "B" pre-blended Bio-diesel and Low Sulphur Diesel fuels.

Request for Quotation 6902-07-3168 was issued by Purchasing and Materials Management Division. Six (6) firms on the City's bidder's list were invited to submit bids and this requirement was advertised on the City of Toronto's Internet Website. Two (2) bids were received for fuels as specified in the Request for Quotation document.

The Request for Quotation closed and the prices were read out loud at the public opening on September 28, 2007. Fleet Services reviewed the two (2) bids received to determine whether all specifications were met as requested in the Request for Quotation.

COMMENTS

The following is a summary of prices received for Schedule “A” pre-blended ethanol unleaded gasoline and Schedule “B” pre-blended Bio-diesel and Low Sulphur Diesel fuels from January 1, 2008 to December 31, 2008, net of G.S.T:

	<u>Schedule “A”</u> Pre-blended ethanol unleaded gasoline (E10, Octane 87) Net of GST	<u>Schedule “B”</u> Seasonally adjusted pre-blended bio- diesel fuels (at concentrations specified in the RFQ), clear low sulphur diesel fuel (for on-road use) and coloured low- sulphur diesel fuel (for off-road use) Net of GST
Suncor Energy Products Inc.	\$3,683,340.00	\$9,189,940.20
Fiba Canning Inc.	No Bid	\$9,363,934.64

A detailed summary of the prices submitted is attached as Appendix “A”.

The base prices described above are firm until January 5, 2008 after which the price may be adjusted monthly based on Bloomberg’s Oil Buyer’s Guide (Canadian Unbranded Rack Prices for Regular/Mid/Prem Unleaded Gasoline/High Sulphur Diesel/Low Sulphur Diesel – Toronto Industry Average) based on the difference in the average of the month of June 2007 and the average of the month of December 2007. Subsequent changes may occur on the 5th of each month based on the previous month’s average.

The bid submitted by Suncor Energy Products Inc. for Schedule “A” and for Schedule “B” has been reviewed by the Director of Fleet Services and has been found to be in conformance with the Quotation requirements.

The Fair Wage Office has reported that the recommended firm has indicated that they have reviewed and understand the Fair Wage Policy and Labour Trades requirement and have agreed to comply fully.

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