



STAFF REPORT ACTION REQUIRED

Request for Quotation (RFQ) 6902-08-3227 For the supply, delivery and off-loading of Pre-blended Ethanol Unleaded Gasoline, and Pre-blended Bio-diesel and Low Sulphur Diesel Fuels

Date:	November 18, 2008
To:	Bid Committee
From:	Acting Director, Purchasing and Materials Management
Wards:	All
Reference Number:	RFQ 6902-08-3227

SUMMARY

This report advises on the results of Request for Quotation (RFQ) 6902-08-3227 and requests the Bid Committee to authorize staff to award a contract to the recommended bidder 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.

RECOMMENDATIONS

The Acting Director of Purchasing and Materials Management recommends that the Bid Committee grant authority to:

- (1) Award a contract for the supply, delivery and off-loading of Pre-blended Ethanol Unleaded Gasoline, and Pre-blended Bio-diesel and Low Sulphur Diesel Fuels to Suncor Energy Products Inc., being the only bid received and meeting specifications in Price Schedule "A" and Price Schedule "B" in the estimated total amount of \$8,820,758.72 net of GST from January 1, 2009 to June 30, 2009 for various City of Toronto Divisions, with the option to renew at the sole discretion of the Director of Fleet Services and subject to budget approval, for one additional separate six (6) month period July 1, 2009 to December 31, 2009. Should the

option to renew be exercised, the Director of Fleet Services will request the Director, Purchasing & Materials Management to provide the necessary contract renewals under the same terms and conditions to exercise the one (1) additional six (6) month period ending December 31, 2009.

The total potential contract award (including the six month optional period) identified in this report is \$17,641,517.44 net of GST.

Financial Impact

The total potential contract award identified in this report is \$18,523,236.80 including all applicable taxes and charges. The total potential cost to the City net of GST is \$17,641,517.44.

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 2009 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, 2009 to June 30, 2009 (Table 1).

Table 1 – For the Period January 1, 2009 to June 30, 2009

Division	Account	Ethanol Unleaded Gasoline (E10, Octane 87) Net of GST	Clear Sulphur Diesel Fuel, for On-road use Net of GST	Low Sulphur Diesel Fuel, for On-road use Net of GST	Seasonally Adjusted Biodiesel (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	\$2,342,656.95	\$213,268.00		\$4,657,265.35	\$74,729.25	\$7,287,919.55
Emergency Medical Services	B41100	Not applicable	Not applicable		Not applicable	\$5,819.96	\$5,819.96
Solid Waste Management	Various under GL #s 2280 & 2281	Not applicable	\$96,258.80		Not applicable	\$415,162.50	\$511,421.30
Toronto Water	WW2055	Not applicable	Not applicable		Not applicable	\$19,858.07	\$19,858.07
Parks Forestry & Recreation	Cost elements 2260, 2280, 2281 and 7105 from Cost Centre Group SS-ES	\$126,599.00	\$25,361.60		Not applicable	\$276,221.45	\$428,182.05
Fire Services	FR0025 under GL 2260 and 2280	\$48,913.25	\$443,828.00		Not applicable	\$17,960.38	\$510,701.63
Facilities & Real Estate	GL 4995	Not applicable	Not applicable		Not applicable	\$48,852.91	\$48,852.91
Toronto Long Term Care Homes & Services	D3A061 D3B061 D3C061 D3D061 D3E061 D3F061 D3G061 D3J061 D3K061 D3L061	Not applicable	Not applicable		Not applicable	\$8,003.25	\$8,003.25
		\$2,518,169.20	\$778,716.40		\$4,657,265.35	\$866,607.77	\$8,820,758.72
Grand Total							

Below is a summary of the funding requirements for all participating Divisions net of GST for the option period commencing July 1, 2009 to December 31, 2009 (Table 2)

Table 2 – For the Option Period July 1, 2009 to December 31, 2009

Division	Account	Ethanol Unleaded Gasoline (E10, Octane 87) Net of GST	Clear Sulphur Diesel Fuel, for On-road use Net of GST	Low 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	\$2,342,656.95	\$213,268.00	\$4,657,265.35	\$74,729.25	\$7,287,919.55
Emergency Medical Services	B41100	Not applicable	Not applicable	Not applicable	\$5,819.96	\$5,819.96
Solid Waste Management	Various under GL #s 2280 & 2281	Not applicable	\$96,258.80	Not applicable	\$415,162.50	\$511,421.30
Toronto Water	WW2055	Not applicable	Not applicable	Not applicable	\$19,858.07	\$19,858.07
Parks Forestry & Recreation	Cost elements 2260, 2280, 2281 and 7105 from Cost Centre Group SS-ES	\$126,599.00	\$25,361.60	Not applicable	\$276,221.45	\$428,182.05
Fire Services	FR0025 under GL 2260 & 2280	\$48,913.25	\$443,828.00	Not applicable	\$17,960.38	\$510,701.63
Facilities & Real Estate	GL 4995	Not applicable	Not applicable	Not applicable	\$48,852.91	\$48,852.91
Toronto Long Term Care Homes & Services	D3A061 D3B061 D3C061 D3D061 D3E061 D3F061 D3G061 D3J061 D3K061 D3L061	Not applicable	Not applicable	Not applicable	\$8,003.25	\$8,003.25
		\$2,518,169.20	\$778,716.40	\$4,657,265.35	\$866,607.77	\$8,820,758.72
Grand Total						

The Acting Deputy City Manager and Chief Financial Officer has reviewed this report and agrees 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 as outlined in the City's Green Fleet Plan 2008 - 2011:

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.

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.

Biodiesel.

Toronto purchases on-road diesel fuel blended with biodiesel. According to Natural Resources Canada, biodiesel blended with regular diesel can reduce emissions of greenhouse gases and some smog-causing air pollutants. In 2008, the City's participating fleet used on-road diesel fuel containing biodiesel concentrations of five, ten and twenty percent. The 2009 award proposes to match the biodiesel concentrations that were used successfully in 2008 such that biodiesel (B5) will be used 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 Request for Quotation was issued by Purchasing and Materials Management Division and was advertised on the City of Toronto's Internet Website on October 3, 2008.

The Purchasing and Materials Management Division, at its Public Opening held on October 20, 2008, opened the only bid received for the supply, delivery and offloading of

pre-blended ethanol unleaded gasoline, and pre-blended bio diesel and low sulphur diesel fuels.

COMMENTS

The RFQ was structured in two parts, Price Schedule “A” for pre-blended ethanol unleaded Gasoline and Price Schedule “B” for pre-blended bio-diesel and low Sulphur Diesel fuels.

The following is a summary of the bid received for Price Schedule “A” pre-blended ethanol unleaded gasoline and Price Schedule “B” pre-blended bio-diesel and low sulphur diesel fuels.

Vendor Name Suncor Energy Products Inc.	Schedule “A” Pre-blended Ethanol Unleaded Gasoline (E10, Octane 87) Net of GST	Schedule “B” 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	Total
For the period January 1, 2009 to June 30, 2009	\$2,518,169.20	\$6,302,589.52	\$8,820,758.72
For the period July 1, 2009 to December 31, 2009	\$2,518,169.20	\$6,302,589.52	\$8,820,758.72
Total	\$5,036,338.40	\$12,605,179.04	\$17,641,517.44

The prices are firm until January 5, 2009 after which the price may be adjusted monthly based on Bloomberg’s Oil Buyer’s Guide (Canadian Unbranded Rack Prices for Regular/Mid/Prem Ethanol Unleaded Gasoline/High Sulphur Diesel/Low Sulphur Diesel – Toronto Industry Average) based on the difference in the average of the month of August 2008 and the average of the month of December 2008. 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 Price Schedule “A” and for Price 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 it has reviewed and understands the Fair Wage Policy and Labour Trades requirement and has agreed to comply fully.

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