

**Date:** November 13, 2013

**To:** Board of Directors

**From:** Neil McFarlane

**Subject:** **RESOLUTION 13-11-69 OF THE TRI-COUNTY METROPOLITAN TRANSPORTATION DISTRICT OF OREGON (TRIMET) AUTHORIZING A CONTRACT WITH MANSFIELD OIL COMPANY FOR THE PURCHASE AND DELIVERY OF B5 DIESEL/BIODIESEL FUEL FOR TRIMET'S BUS FLEET**

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### **1. Issue or Purpose of Item.**

The purpose of this item is to request that the TriMet Board of Directors ("Board") adopt a Resolution authorizing the General Manager to execute a contract with Mansfield Oil Company for the purchase and delivery of blended bulk diesel fuel and biodiesel to power TriMet's bus fleet.

### **2. Reason for Board Action.**

Board authorization is required for goods and services contracts obligating TriMet to pay in excess of \$500,000.

### **3. Background.**

TriMet purchases approximately 5.4M gallons of bulk B5 fuel annually for the three bus garages. B5 fuel is comprised of 95% diesel and 5% biodiesel. Pricing has traditionally been based on a mark-up or discount from the Portland B5 index published by the Oil Price Information Service (OPIS), the most widely recognized fuel price index in the United States. A fixed delivery charge is then added to the daily index price. The fuel is delivered nearly every day to TriMet's four 20,000 gallon underground storage tanks. The fuel supply contractor monitors each tank remotely and schedules 10,000 gallon truckload deliveries when each tank falls below a pre-determined level. TriMet requires the combined tank levels to be maintained at a minimum level of 20%. The contractor retains flexibility to schedule loads based on favorable market conditions for TriMet as well as access to fuel supplies at the various Portland fuel terminals.

An Invitation to Bid (ITB) was issued in August, 2013 for a one-year contract with four additional option years. The ITB was structured to include two pricing options. Option 1 required bidders to submit a price for the fuel supply only, without delivery of the fuel. Option 2 required bidders to submit a price for both the fuel and delivery of the fuel to each of TriMet's locations. There were two reasons for including an option price without delivery. First, at least one NW refiner and several large fuel trading firms expressed an interest in bidding on TriMet's fuel supply business without the required fuel delivery. Second, TriMet wished to explore the potential for contracting with a local small business to handle the fuel delivery portion of the scope of work. To that end, staff issued a separate Request for Proposals (RFP) solicitation for the delivery of B5 fuel in advance of receiving bids for the fuel supply. All potential bidders for both the fuel supply solicitation and fuel delivery

solicitation were informed in advance that the resulting price from the separate fuel delivery solicitation would then be added to the bid price of any bidder submitting a price under Option 1 of the fuel supply contract.

On September 24, 2013, six (6) bids were received for Option 1 of the fuel supply contract and nine (9) bids for Option 2, including several bidders who submitted pricing for Option 1 and Option 2. Three proposals were received in response to the fuel delivery RFP. Staff first completed proposal evaluations for the fuel delivery RFP and determined that the lowest cost/highest scoring proposal from Carson Oil of Portland resulted in a fuel delivery price of \$0.0236 per gallon. Bids were then opened on September 24<sup>th</sup> for the fuel supply contract and the delivery price of \$0.0236 was subsequently added to all bids submitted under Option 1. All bids from both Option 1 and Option 2 were tabulated and it was determined that a bid from Mansfield Oil Company (Mansfield Oil) of Georgia, under Option 2, offered the lowest price for both the fuel supply and delivery of the fuel. The bid from Mansfield Oil included a discount of \$0.0451 off of the OPIS B5 index and a delivery price of \$0.0200 per gallon for a net discount of \$0.0251 per gallon. The next lowest bid was from Vitol Inc. of Houston, under Option 1, with a net discount of \$0.0239 per gallon. See Attachment A for a table listing all bids received.

Purchasing Staff conducted a responsibility determination as well as an analysis of the bid received from Mansfield Oil. Under the responsibility determination, Mansfield Oil will be contracting with Pioneer Oil of Portland to handle the fuel deliveries to each TriMet location. Pioneer Oil is already familiar with TriMet from a previous contract to fuel TriMet's LIFT fleet. Additionally, Mansfield Oil currently manages the fuel supply contracts for numerous U.S. transit agencies and large national firms (see Attachment B), including a number of firms in the Portland area. Analysis of the Mansfield Oil bid determined that the net discount is \$0.0276 lower than TriMet's current pricing. This results in annual savings of \$149,000 and \$745,000 over the five-year life of the contract. The bid price discount is fixed for the life of the contract and only the delivery price component can be increased with documented proof of actual freight increases. Additional savings of up to \$200,000 over the five year contract period could be realized when the new LIFT on-site mobile fueling contract is awarded, as Mansfield Oil will be required to supply fuel to the Contractor awarded the contract to fuel LIFT buses.

Contract award of \$80,144,100 is based on the OPIS B5 index price effective on September 24, 2013 less the net discount from Mansfield Oil times 5.4M annual gallons. The first year award was then multiplied by the five years of the projected contract, including option years. It is important to note that the daily OPIS index price will fluctuate up and down through the life of the contract. However, the discount bid by Mansfield Oil will remain fixed for the life of the contract.

#### **4. Options.**

The Board may adopt this resolution or could direct preparation of a new solicitation. However, a new solicitation is not recommended because the bid price submitted by Mansfield Oil has been determined to be fair and reasonable, and Mansfield Oil has been determined to be the lowest cost, responsible bidder.

#### **5. Recommendation.**

The General Manager recommends that the Board adopt the Resolution.

**Resolution 13-11-69  
Board Memo  
Attachment A**

**OPTION 1 PRICING (Fuel Supply without delivery price)**

| CONTRACTOR                              | Petrocard     | Pinnacle Petroleum | Truman Arnold Co. | Carson Oil Co. | Vitol Inc.    | IPC           |
|---|---------------|--------------------|-------------------|----------------|---------------|---------------|
| Fuel Delivery RFP Pricing<br>*See Below | + .0236       | + .0236            | + .0236           | + .0236        | + .0236       | + .0236       |
| Discount/Markup                         | -.025         | -.0296             | -.0104            | -.025          | -.0475        | -.0306        |
| Net Total Discount/Markup Per Gallon    | <b>-.0011</b> | <b>+.0060</b>      | <b>+.0132</b>     | <b>-.0014</b>  | <b>-.0239</b> | <b>-.0070</b> |

**OPTION 2 PRICING (Fuel Supply with Delivery Price)**

| CONTRACTOR                           | Mansfield Oil Co. | Truman Arnold Co. | Carson Oil Co. | Vitol Inc.     | IPC           | Bretthauer Oil Co. | Southern Counties | Petroleum Traders | Wilcox and Flegal |
|--------------------------------------|-------------------|-------------------|----------------|----------------|---------------|--------------------|-------------------|-------------------|-------------------|
| Discount/Markup                      | -.0451            | -.0104            | -.025          | -.0475         | -.0353        | +.03               | -.0351            | -.0281            | -.02              |
| Delivery Price                       | +.0200            | +.0270            | +.024          | +.02375        | +.0241        | +.00275            | +.029             | +.0293            | +.019             |
| Net Total Discount/Markup Per Gallon | <b>-.0251</b>     | <b>+.0166</b>     | <b>-.001</b>   | <b>-.02375</b> | <b>-.0112</b> | <b>+.03275</b>     | <b>-.0061</b>     | <b>+.0012</b>     | <b>-.001</b>      |

**\*Fuel Delivery RFP Pricing**

| Proposer      | Proposed Delivery Price                           |
|---------------|---|
| Carson Oil    | .0236 per gallon                                  |
| Nate Hartley  | .13 per gallon                                    |
| Western Hyway | .02354 per gallon (Price not fixed -bid rejected) |

Resolution 13-11-69  
Board Memo  
Attachment B

Mansfield Oil Company Contracts

Public

1. WMATA Transit (Washington, DC) for 12M gallons/year
2. SEPTA Transit (Philadelphia) for 16M gallons/year
3. CTA Transit (Chicago) for 18M gallons/year
4. METRA Rail (Chicago) for 25M gallons/year
5. KCTA Transit (Kansas City) for 2M gallons/year
6. RTD Transit (Denver) for 9M gallons/year
7. LYNX Transit (Orlando) for 4M gallons/year

Private In Portland

1. Allied Waste Industries
2. Enterprise Rent a Car
3. Hertz Rent a Car
4. Sysco Food Services Distribution
5. Greyhound Bus Lines
6. Coast Guard C-Store/Department of Defense sites

Also, Amtrak in Seattle for 2M gallons/year

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**WHEREAS**, TriMet has authority under ORS 267.200 to enter into a one (1) year contract with four additional one (1) year options, with Mansfield Oil Company for the purchase and delivery of B5 diesel/biodiesel fuel (“Contract”); and

**WHEREAS**, the total amount of the Contract shall exceed \$500,000; and

**WHEREAS**, the TriMet Board of Directors (Board), by Resolution dated November 25, 2009, adopted a Statement of Policies requiring the Board to approve goods and services contracts obligating TriMet to pay in excess of \$500,000;

**NOW, THEREFORE, BE IT RESOLVED:**

1. That the Contract shall be in conformance with applicable laws.
2. That the General Manager or his designee is authorized to execute the Contract.

Dated: November 13, 2013

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Presiding Officer

Attest:

\_\_\_\_\_  
Recording Secretary

Approved as to Legal Sufficiency:

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Legal Department