



Report to: General Committee

Date Report Authored: October 29, 2012

SUBJECT: Contract Extension for the Supply & Delivery of E10 Gasoline with the York Region Buyers Co-operative CT-09-02

PREPARED BY: Laurie Canning, Ext. 4896
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RECOMMENDATION:

- 1) THAT the report entitled “Contract Extension for the Supply & Delivery of E 10 Gasoline with the York Region Buyers Co-operative CT-09-02” be received;
- 2) AND THAT the contract for supply & delivery of E10 Gasoline be awarded to Ultramar Ltd. in the estimated amount of \$460,937 inclusive of HST;
- 3) AND THAT the term of the contract be for a one (1) year period, effective January 1, 2013 thru to December 31, 2013 subject to budget approval;
- 4) AND THAT the Tender process be waived in accordance with Purchasing By-Law 2004-341, Part II, Section 7.1 (c), Non-Competitive Procurement, when the extension of an existing contract would prove more cost effective or beneficial;
- 5) AND THAT the 2013 estimated costs be provided for within the Operations Department Operating Budgets 750-752-4300 for gasoline.

And that Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

The purpose of this report is to award the contract for the supply and delivery of E10 Gasoline for a one (1) year period.

BACKGROUND:

York Region, on behalf of the York Region Public Buyers Co-operative (“Co-op), issued a tender for the Supply and Delivery of Gasoline, Diesel Fuel in 2009.

The participating agencies were:

- York Region
- Town of Aurora
- Town of Richmond Hill
- York Region Police
- City of Vaughan
- Town of Newmarket
- York Catholic District School Board
- City of Markham

This tender included six (6) different fuel requirements such as:

- Regular Unleaded Gasoline
- E10 (Ethanol Blended Gasoline)
- Diesel, Ultra low Sulphur
- Diesel, Low Sulphur
- B5 Biodiesel
- B20 Biodiesel

Each Municipality had different requirements for a particular type of fuel and quantity. Therefore, the contract was awarded to the lowest priced bidder for each fuel type and as such split between two (2) providers.

- Suncor Energy Inc. for Regular Unleaded and Biodiesel (B5 &B10)
- Ultramar Ltd. for E10 fuel , Diesel ultra low and Diesel low sulphur

On February 9th, 2010 Council approved the City of Markham requirements under the Co-op issued tender for the supply & delivery of Regular Unleaded and Biodiesel Fuel (B5 &B20) to Suncor Energy Inc. (Suncor). The award was for three (3) years (2010, 2011 & 2012) with a one (1) year option (2013) and in August 2012, the Co-op approached Suncor for the remaining year of the contract. The extension year was by mutual consent and subsequently Suncor declined this option year for the Co-op contract.

In lieu of going back to the market for E10 fuel, Staff recommends utilizing E10 fuel instead of Regular Unleaded and piggybacking on York Regions pricing for the following reasons:

- environmental benefits
- price savings of \$4,175/year (\$0.0104 per litre) compared to previous contract
- acceptance by Ultramar Ltd to extend through 2013

Since Ultramar does not provide Biodiesel (B5 &B10), the Municipalities (Markham, Newmarket, Richmond Hill) who utilize this fuel type have issued a tender to the market place.

OPTIONS/ DISCUSSION:

E10 fuel is a more environmentally friendly fuel with the same characteristics as the regular unleaded fuel. The difference is that E10 is 10% ethanol and 90% unleaded gasoline whereas regular unleaded is 100% unleaded gasoline. It was estimated that 95% or more of the gas stations in Ontario are now using E10 as their product and regular unleaded is becoming less common. Ethanol cleans fuel systems and burns more completely, reducing the build-up of carbon deposits and providing long-term benefits. The E10 also produces less greenhouse gas emissions.

PRICING SUMMARY:

Pricing for this tender was based on Petro-Canada's Terminal Rack Pricing on Gasoline and Distillates for Resellers and Wholesale Customers. Bidders were asked to use this index as a starting point for this agreement along with a fixed mark-up and/or any discounts they would provide.

The mark-up and/or discounts are fixed for the duration of the contract however the unit price of the fuel will fluctuate from day to day. Price increases or decreases shall be based on the daily terminal rack prices for Toronto.

In 2009, York Region Public Buyers Co-operative tender received submissions from five (5) bidders with only two (2) providing a discount off the rack pricing (Suncor and Ultramar).

FINANCIAL TEMPLATE:

The proposed 2013 budget for E10 Gasoline at \$460,937 was based on an annual volume of 400k litres (estimated based on prior 3 year average historical volumes) at an average price of \$1.146 per litre (based on current fuel price plus an allowance for price escalations). The award is based on the 2013 budget dollar amounts and Staff will monitor the City's fuel usage on a monthly basis and report quarterly to Council through the Year to Date Review of Operations and Year end Projection reports.

HUMAN RESOURCES CONSIDERATIONS

Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:

Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:

Not applicable

EXECUTIVE SUMMARY:

Not applicable

RECOMMENDED BY:

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X 

Paul Ingham
Director, Operations

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X 

Brenda Librecz
Commissioner, Community & Fire Services

ATTACHMENTS:

Not applicable