



City of
Peterborough

To: **Members of the Committee of the Whole**

From: **Sandra Clancy, Director of Corporate Services**

Meeting Date: **February 27, 2017**

Subject: **Report CPFS17-011
Contract Extension of Tender T-36-13 for the Supply and
Delivery of Unleaded Gasoline and Diesel Fuel to the City of
Peterborough and to members of the Kawartha Cooperative
Purchasing Group**

Purpose

A report to recommend a four-year extension to T-36-13 for the Supply and Delivery of Unleaded Gasoline and Diesel Fuel to the City of Peterborough and to members of the Kawartha Cooperative Purchasing Group.

Recommendations

That Council approve the recommendations outlined in Report CPFS17-011, dated February 27, 2017 of the Director of Corporate Services, as follows:

- a) That the contract for T-36-13 to Suncor Energy Product Partnership, 2489 North Sheridan Way, Mississauga, Ontario, for the Supply and Delivery of Unleaded Gasoline and Diesel Fuel to the City of Peterborough and to members of the Kawartha Cooperative Purchasing Group, be extended for an additional four years, from April 1, 2017 to March 31, 2021, and based upon:
 - (i) The Toronto daily rack price for the cost of supply, plus all applicable taxes;
 - (ii) The cost of delivery for Regular Unleaded Gasoline, which includes delivery and discount for Years 1 and 2 of \$0.0170 and \$0.0220 for Years 3 and 4, plus all applicable taxes;
 - (iii) The cost of delivery for Clear and Dyed Diesel, which includes delivery and discount for Years 1 and 2 of \$0.0120 and \$0.0170 for Years 3 and 4, plus applicable taxes;

- b) That each of the members of the Kawartha Cooperative Purchasing Group be responsible for executing their own contract with Suncor for the extension period.

Budget and Financial Implications

The total value of the contract extension depends on the rack prices in effect each day over the term, the type of fuel and the actual amount used. The estimated litres of fuel for the request for extension of the Contract for the City of Peterborough for four years is 2,163,200 litres of gasoline and 8,293,272 litres of diesel fuel to be delivered to various City of Peterborough sites.

Based on the estimated annual usage and the January 2, 2017 Toronto Rack Prices, the City would pay a total average annual cost of \$3,377,746 cost, net of HST rebate. The annual expense will be budgeted for in the various City operating budgets. The total value of the contract over four years is estimated to be \$13,510,983, net of the HST rebate.

Background

RFT T-36-13 Overview

Council, at its meeting of January 22, 2014, in considering Report CPFS14-001, approved the award of RFT, T-36-13 for the Supply and Delivery of Unleaded Gasoline and Diesel Fuel to the City of Peterborough and members of the Kawartha Cooperative Purchasing Group to Suncor Energy Product Partnership, 2489 North Sheridan Way, Mississauga, Ontario. Within this award, the City, at its sole discretion, could negotiate for the extension of the contract for two 2-year periods with the successful Bidder.

In December 2016, the City entered into negotiations with Suncor for the Contract extension. Suncor offered to provide a four year extension, instead of one of the two year extensions; the four year extension to cover the period April 1, 2017 to March 31, 2021.

Chart 1 provides a summary of the annual cost of supply for the City of Peterborough's eight tank locations, including one at Public Works, one at Fire Services, one at the Marina and four at various WWTP locations,

Chart 2 provides the annual delivery cost from Suncor for a two year option.

Chart 3 provides the annual delivery cost from Suncor for a four year option.

For purposes of comparison only - estimated annual usage remains the same and supply costs are based on the Toronto Rack Prices recorded on January 2, 2017.

Fuel Type	Rack Price per Litre (Jan 2, 2017)	FET Per Litre	PFT Per Litre	HST Per Litre	Sub-Total Estimated Cost for Supply Per Litre	Estimated Yearly Usage	Estimated Yearly Supply Cost
Regular Unleaded	\$ 0.6920	\$ 0.1000	\$ 0.1470	\$0.122	\$ 1.0611	540,800	\$573,827
Clear Diesel	\$ 0.7430	\$ 0.0400	\$0.1430	\$0.120	\$ 1.0464	1,919,993	\$2,009,042
Dyed Diesel	\$ 0.7430	\$ 0.0400	\$ -	\$0.102	\$ 0.8848	153,325	\$135,660
TOTAL							\$2,718,529

[illegible]

Chart 3 – Annual Delivery Costs from Suncor - Four Year Deal

[illegible]

By signing a four year extension, the City will save \$10,907.40, excluding all taxes, for delivery costs of gasoline and diesel fuel for the first two years. However, the average annual delivery cost over of the four years would be \$1,222 more.

Staff recommend the four year extension for a number of reasons:

- The uncertainty surrounding the full impacts of Ontario's new Cap and Trade program are mitigated.
- The market volatility of rack pricing is mitigated. If the cost of fuel increases substantially over the next four years, there is certainty surrounding the delivery cost to City locations.
- Invariably, delivery costs associated with fleet maintenance, insurance and staffing will increase. At an average annual increase of \$1,222, the four year deal provides good value to the City.

Under the terms of T-36-13, each participant signs their own agreement with the provider. All benefit from the combined volume, but delivery costs are specific to each participant, so there is no cross-subsidizing among members.

City staff is satisfied with the service provided by Suncor and their local provider, Upper Canada Fuels. They have responded to supply issues and provided short and long term solutions to mitigate these issues.

Section 17.6.1 a) of Purchasing Bylaw 14-127 states that options to renew an Agreement that will cost more than \$100,000 must be authorized by Council or Administrative Staff Committee, depending on who originally approved the award. As Council approved the original award in January 2014, Council must authorize this agreement extension.

Submitted by,

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