

**T Transportation Committee**

**For the Metropolitan Council meeting of December 10, 2008**

Item: 2008-351

Non-Consent

**ADVISORY INFORMATION**

**Date Prepared:** December 9, 2008

**Subject:** Authorization to Amend Contract for Diesel Fuel Supply

**Proposed Action:**

That the Metropolitan Council authorize the Regional Administrator to amend the diesel fuel supply contract with Western Petroleum Company to increase the maximum total compensation to \$71 million.

**Summary of Committee Discussion / Questions:**

Committee members asked questions related to recent diesel fuel and gasoline prices, and the Council's forward pricing program relative to the diesel fuel supply contract.

# T Transportation Committee

**Meeting date: December 8, 2008**

**For Metropolitan Council meeting: December 10, 2008**

<b>ADVISORY INFORMATION</b>	
<b>Date:</b>	December 1, 2008
<b>Subject:</b>	Authorization to Amend Contract for Diesel Fuel Supply
<b>District(s), Member(s)</b>	All
<b>Policy/Legal Reference:</b>	Council Policy 3-3 Expenditures – Procurement of Goods and Services over \$250,000
<b>Staff Prepared/Presented:</b>	Brian J. Lamb, General Manager 612-349-7510 Vince Pellegrin, Chief Operating Officer, Bus & Rail 612-349-7511 Julie Johanson, Deputy Chief Operating Officer –Bus, 612-349-7514 Jan Homan, Director of Vehicle Maintenance, 612-349-5000 Chris Gran, Director of Purchasing, 612-349-5060
<b>Division/Department:</b>	Metro Transit

## **Proposed Action**

That the Metropolitan Council authorize the Regional Administrator to amend the diesel fuel supply contract with Western Petroleum Company to increase the maximum total compensation to \$71 million.

## **Background**

In May 2007, the Council authorized a contract with Western Petroleum Company (Item 2007-137) to supply diesel fuel for Metro Transit and Metro Mobility vehicles at the per-unit prices bid by Western Petroleum. The contract was effective July 1, 2007 for a two-year term, and with options to extend the contract term up to an additional 24 months.

## **Rationale**

At the time the contract was executed, a maximum compensation of \$46,080,000 was established for the two-year base period. This estimate assumed 9 million gallons annual consumption at an average price of \$2.56 a gallon, the average price at that time. Because of high diesel fuel prices (\$3.61 a gallon YTD through October 2008) since the contract was entered into, actual contract expenses are nearly at the contract maximum and the maximum need to be increased. An increase to \$71 million is estimated to cover expenditures through June 2009. The per unit bid prices will not change.

## **Funding**

Funding is available in the Metro Transit and Metro Mobility annual operating budgets.

## **Known Support / Opposition**

There is no known opposition to this proposed action.