

T **Transportation Committee**
For the Metropolitan Council meeting of April 13, 2011

Date Prepared: April 4, 2011

Subject: Authorization to Amend Contract for Diesel Fuel Supply

Proposed Action:

That the Metropolitan Council authorize the Regional Administrator to reject all bids received under IFB #11P002 for supplying diesel fuel to the Council and that the Metropolitan Council authorize the Regional Administrator to amend the diesel fuel supply contract with Western Petroleum to increase the maximum total from \$100,000,000 to \$107,500,000 and extend the contract term through September 2011.

Summary of Committee Discussion / Questions:

Micky Gutzmann, Acting Director Contracts & Procurement, answered questions about the bidding process. She explained the difference between being "not responsive" versus "not responsible." She also explained to Committee members the changes that staff will make to the bid language to help ensure responsive and responsible bidders in the subsequent bid. Chuck Wurzinger, Metro Transit Assistant Director Bus Maintenance, also addressed the Committee to further explain diesel fuel specifications and certifications needed to allow the buses to operate correctly and efficiently.

The Committee expressed an interest in hearing more about fuel purchases and the hedging strategies for fuel, and Mr. Lamb stated that staff would present on this topic at a future Transportation Committee meeting.

T Transportation Committee
Meeting date: March 28, 2011
For Metropolitan Council Meeting: April 13, 2011

ADVISORY INFORMATION

Date:	March 16, 2011
Subject:	Authorization to Amend Contract for Diesel Fuel Supply
District(s), Member(s):	All
Policy/Legal Reference:	Council Expenditure Policy 3-3 – Procurement of Goods and Services over \$250,000
Staff Prepared/Presented:	Brian Lamb, General Manager 612-349-7510 Vince Pellegrin, Chief Operating Officer, 612-349-7511 Julie Johanson, Deputy Chief Operations-Bus, 612-349-7511 Jan Homan, Director Bus Maintenance, 612-349-5000 Micky Gutzmann, Acting Director Contracts & Procurement, 651-602-1741 Don Pleau, Manager Purchasing & Contracts, 612-349-5064 Joel Kulow, Principal Contract Administrator, 612-349-5063
Division/Department:	Metro Transit

Proposed Action

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Background

In May 2007, the Council authorized a contract with Western Petroleum Company to supply diesel fuel for Metro Transit and Metro Mobility vehicles at unit prices bid by Western Petroleum. Subsequently, the Council authorized two contract term extensions and cost ceiling increases. These changes should provide diesel fuel for Council buses until June of 2011, depending on prices.

In February of this year, staff conducted an IFB (#11P002) for a new diesel fuel supply contract, and five companies responded with bids. Of these five, two did not meet the IFB requirements and were found to be non-responsive. The remaining three bidders did not meet the scope of work requirements and were found to be not-responsive.

Staff recommends that all bids be rejected and a new IFB be conducted. Staff is reviewing the scope of work and will revise it as appropriate to ensure that more bidders can meet the requirements without compromising the quality of the fuel supplied.

While the IFB is likely to be completed before June of this year, staff recommends that the current contract with Western Petroleum be extended through September of this year in order to ensure a supply of fuel.

Concurrent with that extension, staff recommends that the contract cost ceiling be increased by \$7,500,000 to cover fuel purchased during contract extension. Fuel prices have risen over the last several months, and the current contract ceiling could be reached before a new contract is in place.

Rationale

Council authorization is required to reject all bids and also to amend the current diesel fuel contract as outlined above. The unit bid prices will not change during the contract extension.

Funding

Funding for diesel fuel is included in the budget.

Known Support/Opposition

There is no known opposition to the proposed action.