

Honorable Mayor and Members  
of the City Council  
City Hall  
Torrance, California

**Members of the Council:**

**SUBJECT: General Services, Transit and Fire – Authorize purchase order extensions to furnish gasoline and diesel fuel and reject bids received.**

**Expenditure: Not to exceed \$3,000,000 annually**

**RECOMMENDATION**

Recommendation of the General Services Director, Transit Director and Fire Chief that City Council:

1. Authorize purchase order extensions with Petro Diamond of Irvine CA (PO #2009-612, PO #2009-617, PO# 2009-627) for the purchase of California Air Resources Board (CARB) 87 octane unleaded gasoline and ultra low sulfur diesel fuel for an additional two year term through February 28, 2014 in an amount not to exceed \$3,000,000 annually; and
2. Reject all bids received in response to Bid B2011-46 to furnish gasoline and diesel fuel.

Funding

Funding for gasoline and diesel fuels is available in each user department's respective operating budget.

**BACKGROUND/ ANALYSIS**

The purchase of gasoline and diesel fuel is essential to the day-to day operations of all City departments. Fuel requirement are based upon the volume of fuel consumed by the City's fleet the prior year. Current usage equals approximately 1 million gallons of fuel annually; 350,000 gallons of unleaded and 650,000 gallons of diesel. Over the last 3 years, unleaded fuel usage has increased by 50,000 gallons with the introduction of 10 Hybrid Electrical Buses fueled by unleaded gasoline, and diesel fuel has decreased by 150,000 gallons with the introduction of 15 propane fueled vehicles and 6 compressed natural gas vehicles.

A formal bid was issued that included a pricing mechanism based upon a discount or mark up from the Daily Oil Price Information Service (OPIS) newsletter average price for the Los Angeles area. The O.P.I.S. report is the reference most widely used for large fuel contracts. Buyers such as the City typically pay the daily O.P.I.S. price, with a price adjustment (surcharge or discount) factored in, depending on the volume of fuel purchased.

On December 1, 2011, Bid number B2011-46 was opened for the City's fuel requirements. Bids were received from nine (9) vendors. Bid Prices are indicated as a plus or minus from the Oil Price Information Service (OPIS) Daily Average. Bid results are as follows:

<b>Vendor</b>	<b>Bid Item #1 CARB 87 Octane NL Unleaded Gasoline</b>	<b>Bid Item #2 CARB Ultra Low Sulfur Diesel (Clear) Fuel</b>	<b>Bid Item #3 CARB B5 Biodiesel Blend Fuel</b>
<b>Falcon Fuel Inc. Paramount CA</b>	<\$0.0023>	+\$0.0254	+\$0.0930
<b>Mansfield Oil Company Gainesville GA</b>	+\$0.0030	+\$0.0240	+\$0.0292
<b>*Petro Diamond Irvine, CA</b>	<\$0.0213>	+\$0.0193	"No Bid"
<b>**Southern Counties Oil Co. Orange CA</b>	+\$0.0260	+\$0.024	+\$0.04

\*Lowest Responsible Bidder for Bid Items #1 & #2

\*\*Lowest Responsible Bidder for Bid Item #3 after adding back taxes and fees

1. General Petroleum dba Maxum Petroleum, Long Beach CA - Requested to withdraw their bid. They cannot honor incorrect pricing quoted by individual that no longer works for their company.
2. Poma Distribution Company, Bloomington CA – Submitted a "No Bid" response
3. IPC, USA Fuel Distribution, Irvine, CA – Did not meet bid specifications as bidder added freight at \$180.00 per delivery. Bid document specified pricing to be inclusive of freight charges.
4. Apex Fuels, LLC, Temecula, CA – Did not submit bid on Addendum #1 (Bids to use daily OPIS rather than the weekly OPIS) form so bid was not analyzed or considered
5. Propel Biofuels Inc., Redwood, CA - Did not submit bid on Addendum #1 form so bid was not analyzed or considered

Subsequent to the opening of bid B2011-46, the Fleet Services Division Staff indicated that the City is not ready to begin the use of the CARB B5 Biodiesel Blend Fuel and is requesting the City Council reject all bids for this product and bid the requirement at a later date.

Although the State Water Resources Control Board (SWRCB) ruled that fleets may resume the storage of biodiesel in underground tanks (UGT) provided the fuel does not exceed a 5% concentration of biodiesel (B5), staff would like to further explore the impacts of using B5 in the various types of City vehicles.

The lowest responsible bidder for the two other types of fuel, CARB 87 Unleaded and Ultra Low Sulfur Diesel Fuel is Petro Diamond of Irvine CA. They are also the City's current provider for these products and were awarded purchase orders for a three-year period as a result of Bid B2008-65. These purchase orders will expire on February 28, 2012. Although Petro Diamond is the lowest responsible bidder for the current bid B2011-46, the price they bid is higher than their bid in the 2008. The 2008 bid had a renewal option for a fourth and fifth year with pricing and conditions unchanged. At the time they submitted their response to bid B2008-65, Petro Diamond indicated they would agree to the fourth and fifth year extension.

The Comparison of Petro Diamond's bid price from the 2008 bid, B2008-65 and the current bid, B2011-46 is as follows:

Bid	Bid Item #1 CARB 87 Octane NL Unleaded Gasoline	Bid Item #2 CARB Ultra Low Sulfur Diesel (Clear) Fuel
B2008-65	<\$0.0287>	+\$0.0067
B2011-46	<\$0.0213>	+\$0.0193

By taking advantage of the extension rather than awarding a new bid, the City will save approximately \$3,000.00 per year.

Respectfully submitted,

  
Sheryl Balfew  
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 General Services Director

CONCUR:



Kim Turner  
 Transit Director



William Racowski  
 Fire Chief



LeRoy J. Jackson  
 City Manager