



ADMINISTRATIVE REPORT

Report Date: July 5, 2018
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Meeting Date: July 25, 2018

TO: Standing Committee on Policy and Strategic Priorities
FROM: General Manager of Engineering Services and Chief Procurement Officer
SUBJECT: Contract Award for the Supply and Delivery of Fuels

RECOMMENDATION

- A. THAT Council authorize City staff to negotiate to the satisfaction of the City's General Manager of Engineering Services, City's Director of Legal Services, and the City's Chief Procurement Officer and enter into a contract with Suncor Energy Products Partnership, for the supply and delivery of fuels for a term of 5 years, with the option to extend for 2 additional 1 year terms, with an estimated contract value of \$25,184,535 plus applicable taxes over the initial five-year term, based on current rates and volumes. Expenditures from the contract for 2019 and beyond will be requested as part of the annual budget process, with the purchases occurring as if and when needed.
- B. THAT the Director of Legal Services, Chief Procurement Officer and General Manager of Engineering Services be authorized to execute on behalf of the City the contract contemplated by Recommendation A.
- C. THAT no legal rights or obligations will be created by Council's adoption of Recommendations A and B above unless and until such contract is executed by the authorized signatories of the City as set out in these Recommendations.

REPORT SUMMARY

The City issued Request for Proposal PS20180305 (RFP) on March 5, 2018. The RFP was advertised on the City of Vancouver website and on BC Bid and the work was called in accordance with the terms and conditions of the City's Procurement Policy ADMIN-008. City staff on the RFP evaluation committee, and, subsequently, the Bid Committee, has considered the responses received, and on that basis recommend that the City negotiate and if such negotiations are successful enter into a contract as describe above with Suncor Energy Products Partnership.

COUNCIL AUTHORITY/PREVIOUS DECISIONS

The City's Procurement Policy ADM-008 requires that contracts with values over \$2 million must be approved by Council following review and recommendations by the Bid Committee. The Bid Committee has considered, and recommended Suncor, as the successful proponent.

REPORT

Background/Context

The City is the lead agency for the British Columbia Petroleum Product Buying Group (BCPPBG). The BCPPBG is comprised of approximately 70 local, regional and municipal government and school board member organizations, which in total purchase approximately 37 million litres of fuel annually. The type of fuels purchased are gasoline, diesel, bio-diesel and some heating fuels. The Lower Mainland members purchase the majority of fuel (70%) followed by the Interior and Vancouver Island (13% each) and Prince George (4%). The City has identified the transition to renewable fuel as a significant factor in achieving its Greenest City Action Plan and Renewable City Strategy.

The objectives of this procurement were two-fold. Firstly, the procurement aimed to identify opportunities for the City to transition over to fuels with a higher proportion of renewable content, which would allow for the reduction in GHG emissions and environmental impacts associated with operating the City's fleet. Secondly, the procurement aimed to ensure the BCPPBG members would maintain access to their core fuel types, while opening up access to renewable fuels that would help the local market on a whole reduce GHG emissions.

Strategic Analysis

The RFP was issued in the accordance with City's Procurement Policy ADMIN-008. The City received responses from 4Refuel Canada LP, Imperial Oil Ltd., Mansfield of Canada ULC, Parkland Refining BC Ltd. and Suncor Energy Products Partnership. The responses were evaluated through the work of an evaluation team comprised of representatives from Engineering Services and Sustainability departments under the stewardship of Supply Chain Management to ascertain if the responses offered good overall value to the City, both quantitative and qualitative factors were evaluated.

The evaluation criteria considered in the overall evaluation process included:

- A. Technical Requirements: ability to supply and deliver products, operational services and support, product knowledge and regulatory compliance and business technology capabilities
- B. Sustainability Requirements: carbon intensity of fuel, renewable content in fuel, Sustainability Leadership Questionnaire and Fuel Delivery Questionnaire
- C. Financial Requirements: bulk fuel pricing [base price, bridging fees, discounts, taxes, invoicing], card-lock pricing and retail pricing

Based on the overall evaluation, the team concluded that the proposal submitted by Suncor Energy Products Partnership best met the BCPPBG's and City's requirements and provided best overall value.

Financial Implications

Financial Planning & Analysis (FP&A) has reviewed the cost of the goods and/or service and concurs that the expected expenditure from the contract for 2019 and beyond will be requested as part of the annual budget process, with the purchases occurring as if and when needed. As a result of the RFP, based on current fuel prices and volumes, the City is forecasting a savings of approximately \$1,761,900 over the initial five (5) year term. However, it is important to note that the 2019 Annual Fuel Budget is expected to increase from 2018 Budget to reflect the significant change in fuel rates over the past year. The savings resulting from the procurement process will partially offset the 2019 Budget rate increase.

Environmental

The City is committed to achieving its Greenest City 2020 and Renewable City 2050 targets. Notably, the City has committed to reducing fleet emissions to 30% below 2007 levels by 2020, reducing fleet emissions to 50% below 2007 level by 2030, and a transition to 100% renewable energy usage by 2050.

To achieve this target, the City's fleet is pursuing two major paths to emissions reduction: electrification and renewable fuels. Renewable fuels are fuels that can replace traditional petroleum products and are created from organic feedstock. Renewable diesel (R100) is a diesel product that is manufactured to the same standards as petroleum diesel, but made entirely from organic feedstock. For the R100 supplied by Suncor, the organic feedstock is 100% waste and residue material.

In 2017, the City's fleet emissions were 16,300 tons of CO₂e. Through the planned transition to R100 with a contract with Suncor Energy Products Partnership, the City fleet would be able to reduce CO₂e emissions by 7,500 tonnes, which would result in a total decrease of 50% below 2007 levels.

Legal

The City's Procurement Policy requires that all contracts that have been awarded by Bid Committee plus Council will be signed by the Director of Legal Services.

CONCLUSION

In summary, City staff recommends that the City negotiate and enter into a five (5) year contract, with the option to extend the contract for an additional two (2), one year terms, with Suncor Energy Products Partnership for the supply and delivery of fuels to all BCPPBG members and the City.

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