



OPERATIONS COMMITTEE
MAY 18, 2006

SUBJECT: ULTRA-LOW SULFUR DIESEL FUEL

ACTION: AWARD CONTRACT FOR ULTRA-LOW SULFUR DIESEL FUEL

RECOMMENDATION

Authorize the Chief Executive Officer to award a 24-month contract under Bid 06-0009 for Ultra-Low Sulfur Diesel Fuel to Southern Counties Oil Co., dba SC Fuels, the lowest responsive and responsible bidder for an amount not-to-exceed \$10,184,383, inclusive of sales tax.

RATIONALE

As of July 1, 2002, the California Air Resources Board (CARB) requires the use of Ultra-Low Sulfur Diesel Fuel for transit buses.

Diesel fuel is required for the operation of the Metro fleet of buses and non-revenue vehicles. There are currently 337 diesel buses in service and 90 non-revenue vehicles that operate on diesel fuel. A gradual retirement of diesel buses will take place starting FY07 through FY08. It is anticipated that all the diesel buses will be retired by the end of FY08. However, during the process of retiring the diesel buses during the next fiscal years, there will continue to be a requirement for diesel fuel.

Diesel buses operate throughout the Metro system and are currently stationed at 11 bus locations and the Instruction Department as follows:

Div. 1	Div. 2	Div. 3	Div. 5	Div. 6	Div. 7	Div. 8	Div. 9	Div. 10	Div. 15	Div. 18	Total
25	33	29	30	79	24	24	34	19	36	4	337

The contract provides up to approximately 4.7 million gallons of ultra-low sulfur diesel fuel for 24 months at prevailing Oil Price Information Service (OPIS) pricing. OPIS is a widely accepted fuel price benchmark. OPIS is a private, independent company with no stake in fuel transactions, and is not funded by the oil industry. Since this is a requirements contract, the bid quantities are estimates only, with deliveries to be ordered and released as required. There is no obligation or commitment on the part of the Metro to order any or all of the

diesel fuel that is anticipated. It is projected that Metro will consume approximately 3.6 million gallons in FY07 and approximately 1.1 million gallons in FY08.

FINANCIAL IMPACT

Funding of \$10,200,000 in Account Number 50401 for this procurement is included in the FY07 budget for the operating divisions under project numbers 301008 to 305008, Bus Maintenance. Since this is a multiple year contract the Cost Center Manager and the Deputy Chief Executive Officer will be accountable for budgeting the cost in future years. In FY05 \$8,193,882 has been expended in this category.

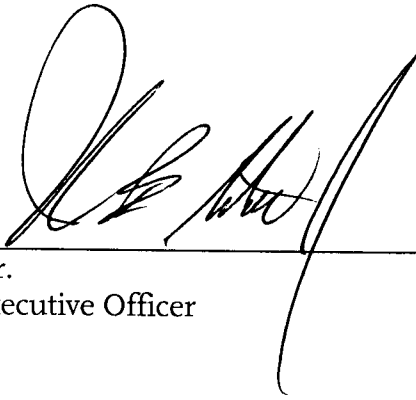
ALTERNATIVES CONSIDERED

The alternative is not to purchase Ultra-Low Sulfur Diesel Fuel under a long-term agreement. However, issuing a 24-month contract will ensure a continuity of supply and will guarantee a firm discount for the duration of the contract. Additionally, Ultra Low Sulfur Diesel Fuel must be purchased to comply with the California Air Resources Board (CARB) requirement and to continue operating Metro's fleet of buses and non-revenue vehicles.

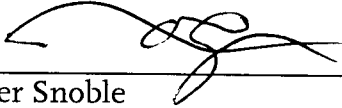
ATTACHMENTS:

- A Procurement Summary
- A-1 Procurement History
- A-2 List of Subcontractors
- A-3 Bid Tabulation

Prepared By: V. Katkaphan, Senior Contract Administrator
R. Bachman, Contract Administration Manager
M. Victoria, Deputy Executive Officer, Operations



John B. Catoe, Jr.
Deputy Chief Executive Officer



Roger Snoble
Chief Executive Officer

**BOARD REPORT ATTACHMENT A
PROCUREMENT SUMMARY**

ULTRA-LOW SULFUR DIESEL FUEL

1.	Contract Number: 04-0009		
2.	Recommended Vendor: Southern Counties Oil Co., dba SC Fuels		
3.	Cost/Price Analysis Information:		
	A. Bid/Proposed Price: \$10,184,404	Estimated Amount \$10,575,000	
	B. Details of Significant Variances are in Attachment A-1.D		
4.	Contract Type: Fixed Price		
5.	Procurement Dates:		
	A. Issued: 02-13-2006		
	B. Advertised: 02-14-2006		
	C. Pre-proposal/Bid Conference: 02-27-2006		
	D. Proposals/Bids Due: 03-30-2006		
	E. Pre-Qualification Completed: Yes		
	F. Conflict of Interest Form Submitted to Ethics: 03-31-2006		
6.	Small Business Participation:		
	A. Bid/Proposal Goal: 10% DBE	Date Small Business Evaluation Completed: 04-10-2006	
	B. Small Business Commitment: 10.00%		
7.	Invitation for Bid/Request for Proposal Data:		
	Notifications Sent: 17	Bids/Proposals Picked up: 10	Bids/Proposals Received: 4
8.	Evaluation Information:		
	A. <u>Bidders/Proposers Names:</u>	<u>Bid/Proposal Amount:</u>	<u>Best and Final Offer Amount:</u>
	1. Southern Counties Oil Co. dba SC Fuels	\$10,184,404	N/A
	2. Petro-Diamond Incorporated	\$10,218,491	
	3. Mansfield Oil Company	\$10,443,165	
	4. Patten Energy Enterprises	\$10,607,900	
	B. Evaluation Methodology: Details are in Attachment A-1.C		
9.	Protest Information:		
	A. Protest Period End Date: 05-17-2006		
	B. Protest Receipt Date: TBD		
	C. Disposition of Protest Date: TBD		
10.	Contract Administrator: Vimol Katkaphan	Telephone Number: 213-922-7351	
11.	Project Manager: Mary Grace-Hall	Telephone Number: 213-922-4828	

**BOARD REPORT ATTACHMENT A-1
PROCUREMENT HISTORY**

ULTRA-LOW SULFUR DIESEL FUEL

A. Background on Contractor

The responsive and responsible low bidder, Southern Counties Oil Co. dba SC Fuels, is located in Orange, California, and has been in the petroleum business since 1930. In the past, Southern Counties Oil Co. has provided satisfactory service and delivery of fuel to the Metro.

B. Procurement Background

In accordance with the Metro's Procurement Policy Manual, Vehicle Technology and Support performed a technical evaluation and determined that the fuel offered by the successful bidder is in compliance with the technical specifications.

As part of the Metro's efforts to provide for Cooperative Purchasing between agencies, and in accordance with the Regional Transit Plan to expand joint procurements, this solicitation included bid pricing for Santa Barbara Transit.

Staff recommends award to the lowest, responsive, responsible bidder Southern Counties Oil Co.

The Diversity and Economic Opportunity Department (DEOD) established a 10% Disadvantaged Business Enterprise (DBE) goal for this contract. The recommended awardee, Southern Counties Oil Co., committed to 10.0%.

C. Evaluation of Bids/Proposals

Bidder #1 Southern Counties Oil Co. dba SC Fuels in the amount of \$10,184,404 is in full compliance to the technical and the bid specifications and is in compliance with the DBE requirements.

Bidder #2 Petro-Diamond Incorporated in the amount of \$10,218,491 is in compliance to the bid specifications.

Bidder #3 Mansfield Oil Company in the amount of \$10,443,165 is in compliance to the technical, but is not in compliance to the DBE requirements.

Bidder #4 Patten Energy Enterprises in the amount of \$10,607,900 is not in compliance to the bid technical specifications.

D. Cost/Price Analysis/Explanation of Variances

The recommended total bid amount of \$10,184,404 has been determined to be fair and reasonable based upon adequate price competition and selection of the lowest responsive and responsible bidder.

The bid price per gallon is subject to weekly price adjustments to reflect current market pricing as published by the Oil Price Information Service (OPIS). The weekly adjusted price per gallon will be established from the OPIS current weekly pricing plus a fixed unit rate of -\$0.015, a fixed transportation charge of \$0.0218, oil spill fee of \$.00095 and applicable sales tax.

When adjusted for market fluctuations, the total price per gallon offered by Southern Counties Oil Co. is actually less than the current contract price based on a lower mark-up, which results in estimated savings of \$138,180 over the 24-month period.

**BOARD REPORT ATTACHMENT A-2
LIST OF SUBCONTRACTORS**

ULTRA LOW SULFUR DIESEL FUEL

PRIME CONTRACTOR - **Southern Counties Oil Co.**

Small Business Commitment

Pinnacle Petroleum, Inc.

Total Commitment – 10.0%

Los Angeles County Metropolitan Transportation Authority Bid Tabulation

Bid No: 060009 Ultra-Low Sulfur Diesel Fuel

Bids Out: 02/13/06 Total 12
 Bids Opened: 03/30/06 Total 4
 Advertisement Date(s): 02/14/06
 Newspaper: Daily News, La Opinion,
 Chinese Daily and L.A. Sentinel

Southern Counties Oil Co. dba SC Fuels

24 MONTH PERIOD Los Angeles Metropolitan Dist.										24 MONTH PERIOD The Santa Barbara Metropolitan Transit Dist.									
Col. 1 OPIS Price	Col. 2 Fixed Price Adj.	Col. 3 CA Oil Spill Per Gal.	Col. 4 Fixed Freight	Adjusted Price Per Gal.	Col. 6 Sales Tax Per Gal.	Col. 7 Total Price Per Gal.	Estimated 24 Month Qty. (gal.)	Col. 9 Extended Price	Col. 1 OPIS Price	Col. 2 Fixed Price Adj.	Col. 3 CA Oil Spill Per Gal.	Col. 4 Fixed Freight	Adjusted Price Per Gal.	Col. 6 Sales Tax Per Gal.	Col. 7 Total Price Per Gal.	Estimated 24 Month Qty. (gal.)	Col. 9 Extended Price		
\$1.9940	-\$0.015	\$0.00095	\$0.0218	\$2.00175	\$0.16514	\$2.16689	4,700,000	\$10,184,403.56	\$1.9940	-\$0.015	\$0.00095	\$0.0585	\$2.03845	\$0.16617	\$2.20662	1,352,000	\$2,983,350.24		
Total 24 Month Period								\$10,184,403.56	Total 24 Month Period								\$2,983,350.24		

Petro-Diamond Incorporated

24 MONTH PERIOD Los Angeles Metropolitan Dist.										24 MONTH PERIOD The Santa Barbara Metropolitan Transit Dist.									
Col. 1 OPIS Price	Col. 2 Fixed Price Adj.	Col. 3 CA Oil Spill Per Gal.	Col. 4 Fixed Freight	Adjusted Price Per Gal.	Col. 6 Sales Tax Per Gal.	Col. 7 Total Price Per Gal.	Estimated 24 Month Qty. (gal.)	Col. 9 Extended Price	Col. 1 OPIS Price	Col. 2 Fixed Price Adj.	Col. 3 CA Oil Spill Per Gal.	Col. 4 Fixed Freight	Adjusted Price Per Gal.	Col. 6 Sales Tax Per Gal.	Col. 7 Total Price Per Gal.	Estimated 24 Month Qty. (gal.)	Col. 9 Extended Price		
\$1.9940	-\$0.0142	\$0.00095	\$0.0277	\$2.00845	\$0.1656971	\$2.17417	4,700,000	\$10,218,491.49	\$1.9940	-\$0.0142	\$0.00095	\$0.0684	\$2.04915	\$0.1690549	\$2.218205	1,352,000	\$2,999,012.99		
Total 24 Month Period								\$10,218,491.49	Total 24 Month Period								\$2,999,012.99		

Mansfield Oil Company

24 MONTH PERIOD Los Angeles Metropolitan Dist.										24 MONTH PERIOD The Santa Barbara Metropolitan Transit Dist.									
Col. 1 OPIS Price	Col. 2 Fixed Price Adj.	Col. 3 CA Oil Spill Per Gal.	Col. 4 Fixed Freight	Adjusted Price Per Gal.	Col. 6 Sales Tax Per Gal.	Col. 7 Total Price Per Gal.	Estimated 24 Month Qty. (gal.)	Col. 9 Extended Price	Col. 1 OPIS Price	Col. 2 Fixed Price Adj.	Col. 3 CA Oil Spill Per Gal.	Col. 4 Fixed Freight	Adjusted Price Per Gal.	Col. 6 Sales Tax Per Gal.	Col. 7 Total Price Per Gal.	Estimated 24 Month Qty. (gal.)	Col. 9 Extended Price		
\$1.9940	\$0.0280	\$0.00095	\$0.0297	\$2.05265	\$0.1693	\$2.22195	4,700,000	\$10,443,165.00	\$1.9940	\$0.0280	\$0.00095	\$0.0735	\$2.09645	\$0.17295	\$2.2694	1,352,000	\$3,068,228.80		
Total 24 Month Period								\$10,443,165.00	Total 24 Month Period								\$3,068,228.80		

Patten Energy Enterprises Inc.

24 MONTH PERIOD Los Angeles Metropolitan Dist.										24 MONTH PERIOD The Santa Barbara Metropolitan Transit Dist.									
Col. 1 OPIS Price	Col. 2 Fixed Price Adj.	Col. 3 CA Oil Spill Per Gal.	Col. 4 Fixed Freight	Adjusted Price Per Gal.	Col. 6 Sales Tax Per Gal.	Col. 7 Total Price Per Gal.	Estimated 24 Month Qty. (gal.)	Col. 9 Extended Price	Col. 1 OPIS Price	Col. 2 Fixed Price Adj.	Col. 3 CA Oil Spill Per Gal.	Col. 4 Fixed Freight	Adjusted Price Per Gal.	Col. 6 Sales Tax Per Gal.	Col. 7 Total Price Per Gal.	Estimated 24 Month Qty. (gal.)	Col. 9 Extended Price		
\$1.9940	\$0.03	\$0.00095	\$0.06	\$2.085	\$0.172	\$2.257	4,700,000	\$10,607,900.00	\$1.9940	\$0.06	\$0.00095	\$0.08	\$2.13495	\$0.176	\$2.3109	1,352,000	\$3,124,336.80		
Total 24 Month Period								\$10,607,900.00	Total 24 Month Period								\$3,124,336.80		

I hereby certify Southern Counties Oil as being the lowest responsible bidder and recommend the award to them for total price, including sales tax, of \$ 10,184,403.56
 5/1/06 Date
AA Buchanan Signature