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Item No. 9.2(i)
Halifax Regional Council
September 19, 2017

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by Director

Amanda Whitewood, CFO/Director of Finance & Asset Management

DATE: September 14, 2017

SUBJECT: Province of Nova Scotia RFP WS49662970 for Heating Fuel/Propane/Jet Fuel/Diesel/Gasoline

SUPPLEMENTARY INFORMATION REPORT

ORIGIN

September 5, 2017 request by Council for an information report in relation to the Award of Standing Offers for gasoline, heating fuel, diesel and propane.

LEGISLATIVE AUTHORITY

Under the HRM Charter, Section 79 Halifax Regional Council may expend money for municipal purposes.

The recommended standing offer award complies with all of the pre-requisites for awarding standing offers as set out in section 34 of Administrative Order 2016-005-ADM, the *Procurement Administrative Order*.

Section 36 of the *Procurement Administrative Order* provides that Halifax Regional Council may approve standing offers of any amount.

BACKGROUND

The existing shared standing offers for the provision of the fuel and heating fuel requirements of the Municipality and the Province of Nova Scotia are expiring. In anticipation of this, and in collaboration with the Municipality and several other MASH entities, the Province of Nova Scotia issued a Negotiable Request for Proposal (NRFP) for the fuel requirements of all the identified stakeholders.

HRM was a full participant during the last solicitation and award for fuel Standing Offers, which was also managed by the Province of Nova Scotia, and in accordance with the previous Procurement Policy (A035), was awarded by the Manager of Procurement.

DISCUSSION

The following companies submitted proposals that met the minimum technical requirements:

- Bluewave Energy
- Irving Oil Limited
- Suncor Energy Products Partnership
- Imperial Oil

The following companies submitted proposals that did not meet minimum technical requirements:

- Wilsons
- Abel Fuels Ltd
- Petro Valve Products

The current Procurement Policy (Administrative Order 2016-005-ADM) requires Standing Offers expected to exceed \$5,000,000 be approved by Halifax Regional Council.

HRM's involvement in the provincial Negotiable Request for Proposal included providing usage of all fuel types, as well as review of, and input for, the NRFP documents by both Procurement and Legal Services. Evaluations were led by the province and a member of HRM Municipal Facilities Maintenance and Operations participated on the evaluation committee, representing HRM.

For the analysis of submitted bids – the evaluation committee completed the technical piece, and a consultant was hired to complete the detailed and complex financial piece.

HRM, in an effort to achieve cost savings through consolidation of HRM and partner requirements, as well as to avoid duplication of effort between HRM and the Province, and to align with the Public Procurement Act's goal of Public Sector collaboration, continues to participate in the Provincial Fuel solicitation and awards, as well as other Standing Offers that contain a common need.

As agreed upon with the Province, all information regarding specific cost, scoring and ranking are confidential and can only be shared in camera.

FINANCIAL IMPLICATIONS

Fuel pricing in Nova Scotia is based on the New York Mercantile Exchange (NYMEX) New York Harbour pricing (this is the closest and most relevant market for Nova Scotia), plus various markups such as transportation, wholesale margin, taxes and retail markup. The recommended vendors represent the lowest cost per litre by fuel type amongst all the bidders.

Due to the economies of scale and purchasing power present with a Provincial wide solicitation, it would be anticipated that HRM will achieve a greater cost savings than if a solicitation was performed representing only HRM requirements.

The Province's estimated savings for all fuel types are based on rack (commodity) prices and transportation rates (commonly referred to as 'markup'). The difference between the average FY15/16 rack price and the leading proponents' proposed average FY15/16 rack price was used to calculate savings on a per-litre basis, which is multiplied by estimated consumption. Similarly, transportation rate savings were based on the difference between old per-litre transportation rates and those proposed by the leading proponents.

Estimated annual cost savings, based on HRM usage in FY15/16, and using the same estimated usage quantities for FY16/17 for each fuel type are:

DIESEL, ULS, DYED:	\$629,247
FUEL, FURNACE:	\$107,169
GASOLINE, REGULAR, DYED:	\$34,614
PROPANE, BULK:	\$2,002
Total estimated savings per year:	\$773,032

Total usage for FY15/16 is as follows:

Material Description	Total \$ Value	Total Usage (L)
DIESEL, ULS, DYED:	\$ 9,197,423.73	1,551,026
FUEL, FURNACE:	\$ 944,501.67	1,342,703
GASOLINE, REGULAR, DYED:	\$ 1,619,898.28	2,391,887
PROPANE, BULK:	\$ 11,302.90	294

On average, HRM's cost per litre for Gasoline is approximately \$0.30 less per litre than retail pump prices

HRM uses dyed fuel and is exempt from the Provincial Excise Tax; if HRM does buy undyed fuel, we then apply for the provincial fuel rebate (gas is \$0.155, diesel is \$0.154 and propane is \$0.07/litre).

ATTACHMENTS

None

A copy of this report can be obtained online at halifax.ca or by contacting the Office of the Municipal Clerk at 902.490.4210.

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Original Signed

Report Approved by: _____
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