

HALIFAX

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Item No. 11.1.4
Halifax Regional Council
November 10, 2020

TO: Mayor Savage and Members of Halifax Regional Council

SUBMITTED BY: Original Signed by 

Jacques Dubé, Chief Administrative Officer

DATE: October 29, 2020

SUBJECT: **Approve Option Years of Agreement 2090009512 – Irving Energy
Distribution for the Provision of Heating Fuel**

ORIGIN

Council awarded RFP WS49662970 (Provincial RFP), furnace oil, diesel fuel and propane at its September 19, 2017 session for a period ending June 2020 with the option to renew annually for two (2) additional one-year terms.

LEGISLATIVE AUTHORITY

The Municipality may spend money for municipal purposes in accordance with section 79A of the HRM Charter. The recommended contract award complies with all of the pre-requisites for awarding contracts as set out in section 26 of Administrative Order 2020-004-ADM, the *Procurement Administrative Order*. Section 28 of the *Procurement Administrative Order*, provides that Halifax Regional Council may approve contract awards of any amount.

RECOMMENDATION

It is recommended that Halifax Regional Council exercise its option to extend the Heating fuel agreement for a two-year period (year two if exercised within the Provincial agreement), at an approximate value of \$12,000,000 per year, as per the terms and conditions of the original agreement.

BACKGROUND

Agreement 2090009512 – Irving Energy Distribution, for the provision of heating fuel provides for heating fuel and related equipment for all HRM facilities. The Municipality has the right and option to extend the agreement, in conjunction with the Province, for two additional one-year periods. During the extension the same terms and conditions of the original awarded agreement apply. The initial option has been approved, based on vendor performance and feedback from users, by the Province of Nova Scotia.

The original solicitation was conducted by the Provincial Procurement department with input from HRM, CBRM, School Boards and smaller municipalities, including estimated usage quantities from each.

The following companies submitted proposals that met the minimum technical requirements, with Irving Energy Distribution being awarded after evaluations were conducted:

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

HRM's involvement in the provincial Negotiable Request for Proposal (NRFP) 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 evaluation, and a consultant was hired to complete the detailed and complex financial evaluation.

DISCUSSION

Based on exceptional service provided by Irving Energy Distribution, including feedback from HRM and other participating MASH sector entities, all of which are continuing service with Irving Energy Distribution, the Province of NS has extended the agreement for a one-year period and will extend for an additional one year period (which will be the final year of the agreement) based on performance during the current period.

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.

Service is provided to approximately 250 fuel tanks representing approximately 125 HRM service locations (many locations having more than one fuel tank), these numbers being approximate as locations continue to be changed over to Natural Gas service and or bought and sold based on service needs.

Types of facilities include Community & Recreation Centers both HRM run and community run; Fire Stations; Police Facilities; Transit facilities; Administration, Parks & Works Depots as well as fueling stations for Fleet.

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 original award represented 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 agreement, including school boards and MASH sector entities, HRM is achieving a greater cost savings than if a solicitation was performed representing only HRM requirements.

Total spend represents approximately \$12,000,000 per annum, however fuel pricing is a fluctuating price commodity and the amounts can change depending on market. Heating Fuel is purchased and charged based on need to the applicable facility's approved Operating Budget.

Based on today's pricing vs commercial posting, average savings would be approximately 46% on heating oil, 35% on diesel and 62% on propane versus average commercial posted price. The following is an example of pricing provided to HRM vs posted pricing but does fluctuate based on market.

HRM pricing through Provincial tender:

Furnace Oil: \$0.4323 cent/L
Diesel: \$0.462 cent/L
Propane: \$0.3538 cent/L

Commercial posted pricing for Halifax without Provincial tender:

Furnace Oil: \$0.7890 cent/L
Diesel: \$0.7149 cent/L
Propane: \$0.9490 cent/L

RISK CONSIDERATION

Risks associated with contract extension are minimal.

ENVIRONMENTAL IMPLICATIONS

There are no environmental implications to this report.

ALTERNATIVES

Council may approve the agreement to be extended for one-year verses two.

If Council does not approve a contract extension, staff may be directed to perform an HRM only RFP. This is not recommended due to our relationship within this agreement with the Province of Nova Scotia, the savings achieved through economies of scale, and duplication of efforts for common requirements.

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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