



## STAFF REPORT ACTION REQUIRED

### Diesel Fuel Contract

<b>Date:</b>	November 13, 2017
<b>To:</b>	TTC Board
<b>From:</b>	Chief Executive Officer

### Summary

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The purpose of this report is to obtain procurement authorization for the supply and delivery of diesel fuel to TTC properties from January 1, 2018 to December 31, 2018.

### Recommendations

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**It is recommended that the Board authorize:**

1. The issuance of a contract amendment to Suncor or enter into a new contract with another diesel fuel provider, for the supply of diesel to TTC properties in the amount of \$86,000,000, plus HST for the period from January 1, 2018 to December 31, 2018.

### Financial Summary

Sufficient funds are available in the 2018 TTC and Wheel-Trans base Operating Budget, which includes funding of \$77 million (plus HST) for the supply of up to 90.6M litres of diesel annually. The additional requested contract authority of \$9M provides for a contingency for market price fluctuations, against which the TTC's diesel fuel budget will be substantially protected by a fuel hedging program. The 2018 TTC and Wheel-Trans Operating Budgets will be considered by the TTC Board on November 28, 2017.

The Chief Financial Officer has reviewed this report and agrees with the financial impact information.

### Accessibility/Equity Matters

There are no accessibility or equity impacts associated with this report.

## **Decision History**

A competitive Request for Quotation (RFQ) was conducted by the City in 2015 for the physical supply and delivery of petroleum products that included quantities for TTC locations, the City of Toronto Fleet Services, and the City's participating Agencies, Boards and Corporations. The RFQ stated that the contract term would be two years with the option to renew the contract for two additional one year periods at the City and TTC's sole discretion.

The current contract was approved at the November 23, 2015 Board Meeting, for the award to Suncor for the physical supply of diesel fuel in the total upset limit of \$182,500,000 for the period January 1, 2015 to December 31, 2017, as per report linked below.

[http://www.ttc.ca/About the TTC/Commission reports and information/Commission meetings/2015/November 23/Reports/Procurement Authorization Physical Supply of Diesel Fuel to.pdf](http://www.ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2015/November%2023/Reports/Procurement%20Authorization%20Physical%20Supply%20of%20Diesel%20Fuel%20to.pdf)

The City granted authority to award its contract to Suncor for the two year period at its Government Management Committee meeting on November 9, 2015 as per the link below.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.GM8.23>

## **Issue Background**

The TTC uses diesel fuel to operate all of its passenger buses, the Wheel Trans fleet, and some of its larger non-revenue vehicles. Storage tanks and fuelling are located at all TTC bus maintenance facilities. Diesel fuel is delivered to the facilities and vehicles are fuelled at those locations. The diesel fuel being purchased under this contract is No. 2 clear diesel refined to meet the latest federal fuel standards for our fleet.

## **Comments**

The RFQ stated that the pricing for the No. 2 diesel would be based on the Bloomberg Oil Buyers Guide (BOBG) Canadian unbranded rack prices that are published every Friday, and bidders were requested to provide their discount (\$/litre) off the rack price as well as their delivery cost (\$/litre). Both the discount off the rack price and the delivery cost was firm for the duration of the contract, including the two one year options.

It should be noted that the price (as per BOBG) can change on a weekly basis, and the price charged to the TTC can either go up or down based on the actual diesel fuel delivered during the particular period under contract. The TTC has a hedging program to mitigate this price fluctuation risk.

The 2018 budgeted diesel volume is 90,636,804 litres of which 87,899,404 litres are allotted for Operating and 2,737,400 litres are allotted for Wheel Trans.

If the TTC exercises their Suncor contract extension option, there will be one remaining option year (2019). The Board can decide to exercise this additional option year with Suncor, or enter a contract with another provider, based on a staff recommendation at that time.

## **Contact**

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