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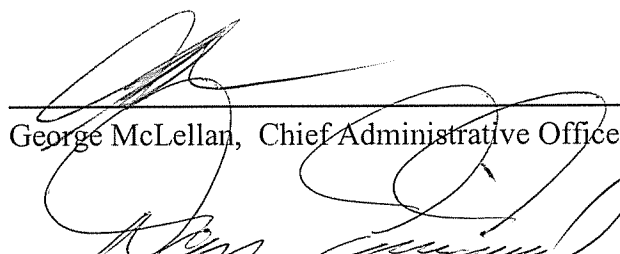


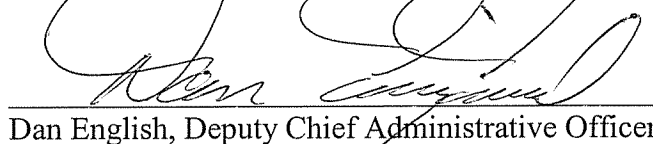
PO Box 1749
Halifax, Nova Scotia
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Halifax Regional Council
September 28, 2004

TO: Mayor Kelly and Members of Halifax Regional Council

SUBMITTED BY:


George McLellan, Chief Administrative Officer


Dan English, Deputy Chief Administrative Officer

DATE: September 13, 2004

SUBJECT: Tender #04-056 - Supply of Bulk Gasoline, Diesel Fuel and Biodiesel

ORIGIN

Tender for supply of Motive Fuel for HRM departments.

RECOMMENDATION

It is recommended that Regional Council:

- 1) Award Tender #04-056 for Bulk Gasoline and Diesel Fuel to Imperial Oil at the per litre price listed in Section A - Fleet Vehicles Table 1 and Table 2 of this report for a period of three(3) years with the option to extend for an additional three(3) one(1) year terms at HRM's discretion with funding from Operating Accounts as outlined in the Budget Implications section of this report.
- 2) Award Tender #04-056 for Bulk Biodiesel B-20 to Wilson Fuel Co. Ltd. at the per litre price listed in Section B - Transit Buses & Ferries Table 3B of this report for a period of three(3) years with the option to extend for an additional three(3) one(1) year terms at HRM' discretion with funding from Operating Accounts as outlined in the Budget Implications section of this report.

BACKGROUND

The Halifax Regional Municipality publicly advertised tenders for the Supply of Bulk Gasoline, Diesel Fuel and Biodiesel with the following responses:

SECTION A - FLEET VEHICLES

TABLE I (Low Sulphur Diesel, Dyed)

Major Users: HRM Fleet Vehicles, Pumping Station, Generators, Etc.

COMPANY NAME	DELIVERED PRICE PER LITRE	ESTIMATED ANNUAL USAGE(Litres)	TOTAL
Imperial Oil	0.4450	2,000,000	\$890,000.00*
Irving Oil	0.4492	2,000,000	\$898,000.00
Emera Fuels Inc.	0.4590	2,000,000	\$918,000.00
Petro Canada	0.4630	2,000,000	\$926,000.00
Wilson Fuel Co. Ltd	0.4760	2,000,000	\$952,000.00

TABLE 2 (Gasoline, Clear, Regular Unleaded)

Major Users: HRM Fleet Vehicles

COMPANY NAME	DELIVERED PRICE PER LITRE	ESTIMATED ANNUAL USAGE(Litres)	TOTAL
Imperial Oil	0.5370	2,500,000	\$1,342,500.00*
Irving Oil	0.5472	2,500,000	\$1,368,000.00
Emera Fuels Inc.	0.5480	2,500,000	\$1,370,000.00
Petro Canada	0.5515	2,500,000	\$1,378,750.00
Wilson Fuel Co. Ltd.	0.5700	2,500,000	\$1,425,000.00

SECTION B - TRANSIT BUSES & FERRIES

TABLE 3A (Low Sulphur Diesel, Dyed for Transit and Ferry Services only)

COMPANY NAME	DELIVERED PRICE PER LITRE	ESTIMATED ANNUAL USAGE(Litres)	TOTAL
Imperial Oil	0.4378	7,560,000	\$3,309,768.00
Irving Oil	0.4492	7,560,000	\$3,395,952.00
Petro Canada	0.4499	7,560,000	\$3,401,244.00
Emera Fuels Inc.	0.4510	7,560,000	\$3,409,560.00

TABLE 3B (B20 Biodiesel - 20% Biofuel, 80%Diesel Fuel for Transit Buses & Ferries)

COMPANY NAME	DELIVERED PRICE PER LITRE	ESTIMATED ANNUAL USAGE(Litres)	TOTAL
Wilson Fuel Co. Ltd.	0.441	7,560,000	\$3,333,960.00*

* Recommended Bidders

Note: Per Litre prices for this tender evaluation have been calculated using the Oil Buyers Guide(OBG) Unbranded Rack Price, Halifax average for June 18, 2004. Current per litre paid to the contractors will be based on the weekly posted OBG Canadian Unbranded Average Rack Price for Halifax less discounts, plus delivery charge, plus applicable taxes. All per litre prices in this report include all discounts, delivery charges and applicable taxes.

DISCUSSION

The HRM requested tenders for the supply of Motive Fuels - Diesel, Gasoline and Biodiesel for the requirements of the HRM fleet vehicles. In the past HRM has used two grades of diesel in its fleet with regular diesel used in the vehicle fleet. Due to the engine requirements for the Transit fleet, and to have the lowest particulate emissions (smoke), the transit buses used a more refined diesel fuel, diesel light. This premium product was purchased at a premium price but provided reduced engine smoke from this cleaner burning fuel. The regular vehicle diesel fuel product has changed over the last number of years and the fuel specification have improved to become closer to this product. As the Diesel Light fuel is more expensive, and the current market is not large enough for production at the refinery, we have been notified that this product is no longer available as of September 1, 2004. This leaves the alternative of regular diesel versus biodiesel for high consumption vehicles.

The Biodiesel product, a blend of a 20% biofuel and 80% regular diesel, has been tested in a sample of HRM transit vehicles since the winter. The biofuel is a by-product of the production of omega - 3 oil and is refined from fish oil. In the testing completed at other trials in North America it was found that the blending of this product with diesel fuel dramatically reduced particulate matter emissions by almost 18%, Carbon Dioxide by 16%, and unburned hydrocarbons by 11%. Similar tests have been completed by Fleet Services, in conjunction with Environment Canada Emission Research and Measurement Division and have only recently been completed and results are pending.

The Biofuel is an organic product and has some characteristics that differ from diesel. The main concern is that it is affected by cold temperatures and in its pure form will congeal in cold weather. Mixing the Biofuel with Diesel lowers this temperature sufficiently to use in our climate and, during testing last winter, there were no problems reported with starting or operating the bus fleet. This fuel will burn without any modifications to the engines or the vehicles, and no compromise in vehicle performance has been identified.

The HRM test of B20 involved 20 transit buses of various ages and engine designs for a period of 3 months. The fuel performed very well and showed no detrimental effects at all. Although the final report has not been produced by Environment Canada, HRM Fleet Services is confident that the fuel will perform well and deliver substantial benefits to the reduction of the tailpipe emissions of our bus fleet. We feel that the benefits of the emission reduction far outweigh the small cost increase of the fuel.

Real Property and Asset Management will continue to research the use of Biodiesel in other

diesel vehicles and also the possibility of using the fuel for heating HRM buildings.

BUDGET IMPLICATIONS

Funds are available in various Operating Budget accounts.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality's Multi-Year Financial Strategy, the approved Operating, Capital and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Capital and Operating reserves, as well as any relevant legislation.

ALTERNATIVES

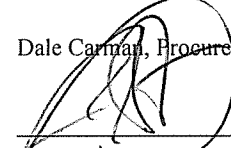
There are no recommended alternatives.

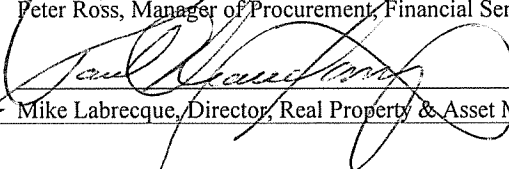
ATTACHMENTS

None

Additional copies of this report, and information on its status, can be obtained by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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