



ITEM ID: 2024-209-0

TRANSMITTAL DATE: June 7, 2024

MEETING DATE: June 14, 2024

TO: Contracts, Operations, Maintenance, and Safety Committee

FROM: Arnold Hackett, Chief Financial Officer

SUBJECT: Contract No. PO961-24 Diesel Fuel and Diesel Exhaust Fluid - Recommendation to Award - Mansfield Oil Company

Issue

The Authority requires Diesel Fuel (Fuel) and Diesel Exhaust Fluid (DEF) to operate its locomotives and Diesel Multiple Units (DMU). Fuel and DEF are delivered in bulk to the Authority's maintenance facilities and in regular and on-call trackside deliveries at various locations.

Recommendation

It is recommended that the Committee recommend the Board authorize the Chief Executive Officer (CEO) award Contract No. PO961-24 to Mansfield Oil Company (Mansfield) for a not-to-exceed amount of \$72,520,051.33. The term of the contract will be for a one-year base period with a single one-year option to be exercised at the sole discretion of the CEO. This recommendation is subject to the resolution of any timely filed protests.

Strategic Commitment

This report aligns with the Strategic Business Plan commitment of:

- **Advancing Key Regional Goals:** We will grow the role of regional rail in addressing climate change, air quality, and other pressing issues by advancing toward zero emissions, making rail a compelling alternative to single-occupant automobiles and advancing equity-focused opportunities for all communities throughout Southern California. This contract is intended for the purchase of renewable diesel which reduces emissions when compared to Petroleum Diesel.

Background

The Authority requires fuel for its locomotives and Diesel Multiple Units (DMUs) to operate its commuter rail service throughout a six-county area of Southern California. The Fuel consists of exclusively of 100% Renewable Diesel (RD) which the Authority uses on its locomotives and DMUs.

The Authority also requires Diesel Exhaust Fluid (DEF) for its Tier 4 Locomotives and DMUs. DEF is used to help reduce emissions from newer diesel engines.

Fuel and DEF are currently delivered in bulk to the Authority's maintenance facilities CMF and EMF and in regular on-call trackside deliveries at various locations under Contract No. PO889-22, which expires on August 31, 2024. This Contract No. PO961-24 will replace Contract No. PO889-22.

Discussion

The Authority issued Invitation for Bids (IFB) No. PO961-24 for Renewable Diesel, Petroleum Diesel, and DEF on March 15, 2024. Notifications were sent to 1,049 registered vendors on the Authority's solicitation portal and advertisements were posted in newspapers of general circulation within the Authority's five counties, as well as in diversity newspapers. The Authority received 43 questions during the Questions and Answers session. The Authority received three (3) bids by the bid due date of April 17, 2024. All three (3) bids were deemed responsive and responsible.

The Authority had previously established an Independent Cost Estimate (ICE) of \$72,520,051.33. The projected amount reflects the Authority's anticipated service increases effective October 2024. Mansfield was found to be the lowest responsive and responsible bidder.

Bidder	RD	PD	DEF	Total Bid Amount
Mansfield Oil Company	\$52,720,530.00	\$964,949.78	\$795,055.78	\$54,480,535.56
Pinnacle Petroleum, Inc.	\$53,104,390.50	\$946,074.76	\$797,730.53	\$54,848,195.79
SC Fuels	\$54,210,848.50	\$1,086,845.36	\$1,132,632.85	\$56,430,326.71
ICE	\$71,833,150.83		\$686,900.50	\$72,520,051.33

The IFB required bidders to bid on all line items to be considered for an award. The lowest bid would be determined by the Total Bid Price, which includes the Base and applicable Option periods. The Authority reserved the right to award a contract to the lowest bidder per type of Fuel and/or for only the Base Bid, or the Base Bid plus Option.

The Authority implemented 100% renewable fuel for all its Metrolink locomotives in March 2022. The Authority's fleet of Arrow DMUs were still using Petroleum Diesel to not infringe the manufacturer's warranty of the DMU engines. On April 4, 2024, Deutz, DMU engine Original

Equipment Manufacturer, approved the use of Renewable Diesel on the DMU engines. As of April 9, 2024, the Authority also transitioned from PD to RD to power the DMUs. Going forward, the Authority will only purchase RD to power its fleet of Locomotives and DMUs.

The IFB required bidders to submit a fixed margin above or below the daily Oil Price Information Service (OPIS) Index price per gallon for RD and PD. A sample OPIS Index price of \$3.2623 per gallon was used for bidding evaluation purposes.

The IFB also required bidders to submit a fixed multiplier against the Chicago Mercantile Exchange (CME) Urea (Granular) FOB U.S. Gulf Futures - Settlements price for the last trading day of each month. The fixed multiplier is used to calculate the contract DEF price per gallon for the following month and a sample settlement price of \$357.80 was used for bid evaluation purposes.

Bidders were further required to submit a freight price per gallon for both Fuel and DEF for each delivery type and delivery location. Bid prices were then multiplied by projected usage quantities during the one-year base period and the one-year option period to determine the total bid price. The calculated total bid prices are for bid evaluation purposes, and actual costs will be based on Fuel and DEF orders.

The unit price per gallon for DEF would be fixed at a 0.004 multiplier against the CME Urea (Granular) FOB U.S. Gulf Futures - Settlements price for the last trading day of each month for deliveries in the month ahead.

Mansfield's total bid price of \$54,480,535.56 was based on sample OPIS and CME Urea prices for bid evaluation purposes only. The recommended not-to-exceed amount of \$72,520,051.33 was provided by the PM based on the projected fuel and DEF expenditures during the base and option year of this contract. The forecasted usage of fuel is 10 million gallons per year after the Authority's services increase effective October 2024.

The Authority will only compensate Mansfield Oil Company for actual fuel and DEF purchased, which will be based on the OPIS margin and CME multiplier that Mansfield Oil Company agreed to in its bid. The total cost per gallon for Fuel and DEF will also include freight and tax charges which depend on the delivery type and delivery location.

Disadvantaged Business Enterprise Program (DBE)

The Authority's DBE Consultant set a 0% DBE goal for this procurement. All three (3) bidders successfully submitted required DBE related forms.

Budget Impact

The amount for which contract authority is requested for the first year (\$33,587,666) is included in the proposed Operating Budget for FY25 and is contingent upon its adoption by the board at its June 28, 2024 Board meeting. Funding for subsequent years (FY26) will be requested through the annual budget process. There is no financial commitment with respect to subsequent years and work will be authorized only if funding is approved.

Next Steps

Upon award by the Board, Contract No. PO961-24 for Diesel Fuel and Diesel Exhaust Fluid will be executed with Mansfield Oil Company in an amount not-to-exceed of \$ 72,520,051.33, which includes a one-year base period and a single one-year option.

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Approved by: Arnold Hackett, Chief Financial Officer