

Date of Action: 1/27/2014	
Approved <input checked="" type="checkbox"/>	Denied <input type="checkbox"/>
By: <i>K. Smith</i>	

**CITY COUNCIL ACTION MEMORANDUM**

**AM No. 14-03: Ordering agreement with Inlet Petroleum, per State of Alaska (SOA) contract #2103-E, in the amount of \$31,300 for bulk diesel fuel.**

Originator: April Dwyer, Purchasing/Contracting Officer

Date: 1/13/2014

Agenda of: 1/27/2014

Route to:	Department Head	Signature	Date
X	Public Works Director	<i>[Signature]</i>	1/15/14
X	Finance Director	<i>[Signature]</i>	1-15-14
X	Deputy Administrator	<i>[Signature]</i>	1-17-14
X	City Clerk	<i>[Signature]</i>	1-15-14

Reviewed by Mayor Verne E. Rupright: *[Signature]*

**Fiscal Impact:**  yes or  no

**Funds Available:**  yes or  no

**Account name/number/amount:**

ROADS FUEL	001.4320.432.60.25	\$28,000
AIRPORT FUEL	330.4370.437.60.25	\$3,300
		<u>\$31,300</u>

Funds are available in the FY2014 roads budget. However, the Airport Fund would require an additional appropriating ordinance or other budgetary transfer within current year's operations to fund the estimated purchase amount.

**Attachments:** State of Alaska Contract #2103-E (13 pages)  
 Delta Western and Inlet Petroleum Merger Letter (2 pages)

**Summary Statement:** The City of Wasilla (the City) wants to procure bulk diesel fuel under the State of Alaska's (SOA) contract with Inlet Petroleum. Procurement using the SOA contract would be in lieu of soliciting a bid by the City which is allowed for under Wasilla Municipal Code 5.08.108. This method is believed to offer the best pricing due largely to the volume of diesel procured under the SOA contract versus the City's own consumption. In fact, the City proactively provided the SOA Procurement Officer with the City's annual consumption so it could be included in SOA's bid information – increasing the chances of the best possible pricing.

Under the SOA contract, Inlet Petroleum bid \$.3350/gallon as their bid constant (or management fee) plus the Oil Price Information Service (OPIS) posted average daily rack rate *in Seattle* for Ultra Low Sulfur Diesel Fuel.

The City's current rate under the Matanuska Susitna Borough's contract for bulk fuel includes a lower bid constant of \$.14/gallon but the OPIS rate is based on the average daily rack rate *in*

*Anchorage.* The difference in the OPIS standard used is where the estimated savings is expected. The following calculation compares our current pricing under the Mat-Su Borough's contract to the State of Alaska's contract pricing for Ultra Low Sulfur Diesel fuel on December 12, 2013 providing a price per gallon (PPG).

	<u>OPIS 12/12/13</u>		<u>Bid Constant</u>		<u>PPG</u>
MSB	\$3.5775	+	\$.14	=	\$3.72
SOA	\$2.9248	+	\$.3350	=	<u>\$3.26</u>
DIFF					\$ .46

Additionally, use of pricing under the SOA contract does not commit the City to future purchases under the contract.

**Staff Recommendation:** Adopt AM No. 14-03.



## ULTRA LOW SULFUR DIESEL

**\*MANDATORY FOR STATE AGENCIES**

### AVAILABLE TO POLITICAL SUBDIVISIONS

The Division of General Services has established the following contracts for the bulk purchase and delivery of all grades of **Ultra Low Sulfur Diesel** fuel in various locations throughout the state. To utilize the contracts, contact the vendor listed for the location you wish to purchase fuel for, make sure that you let them know that you are using a state contract, and provide the contract number. Contact information for each vendor is provided below.

**Term:** December 1, 2013, through **September 30, 2014**  
**Renewals Remaining:** Two (2), one-year renewal options

Contract Number 2103-A  
**Alaska Petroleum**  
 1095 Dennis Road  
 North Pole, AK 99705  
 (907) 488-2575  
 (907) 488-2996 Fax  
 lisa@alaskapetroleum.net

Contract Number 2103-B  
**Bonanza Fuel**  
 P.O. Box 1129  
 Nome, AK 99762  
 (907) 443-2561  
 (907) 443-4038 Fax  
 shenderson@snc.org

Contract Number 2103-C  
**Bristol Alliance Fuels**  
 P.O. Box 112105  
 Anchorage, AK 99511  
 (907) 222-2828  
 (907) 222-1418 Fax  
 phillipb@bristolalliancefuels.com

Contract Number 2103-D  
**Crowley Petroleum**  
 201 Arctic Slope Ave.  
 Anchorage, AK 99518  
 (907) 777-5579  
 (907) 777-5550 Fax  
 william.holland@crowley.com

Contract Number 2103-E  
**Delta Western**  
 420 L Street, Suite 101  
 Anchorage, AK 99501  
 (907) 276-2688  
 (907) 276-3741 Fax  
 johnc@deltawestern.com

Contract Number 2103-F  
**Fishers Fuel**  
 P.O. Box 520209  
 Big Lake, AK 99652  
 (907) 892-6706  
 (907) 892-6703  
 bfisher@fishersfuel.com

Contract Number 2103-G  
**Petro Marine**  
 P.O. Box 389  
 Seward, AK 99664  
 (907) 273-8255  
 (907) 273-8242 Fax  
 smokeyn@harborent.com

Contract Number 2103-H  
**Shoreside Petroleum**  
 P.O. Box 1189  
 Seward, AK 99664  
 (907) 224-8040  
 (907) 224-8047 Fax  
 dougl@shoresidepetroleum.com

**Table A** identifies the locations where the purchase and delivery of **Ultra Low Sulfur Diesel** fuel is **mandatory** for state agencies.

Pricing for the locations listed in this table is based on **Standard Delivery** pricing.

**Standard Delivery** pricing is based on the Oil Price Information Services (OPIS) Daily gross rack average in effect on the day of delivery for the type and grade of fuel delivered, plus or minus the Mgt Fee listed below.

The OPIS Daily gross rack average price information is published twice daily in the OPIS Newsletter. For deliveries on Saturday-Monday, the price in effect is the OPIS published the previous Friday.

Contact OPIS for subscription information.

[www.opisnet.com](http://www.opisnet.com)

The table also indicates the vendor, contract number, and OPIS price location.

**Table A: Mandatory Locations**

<b>Location</b>	<b>Vendor</b>	<b>Contract #</b>	<b>OPIS Location</b>	<b>Mgt Fee</b>
Anchorage	Delta Western	2103-E	Seattle	\$ 0.2690
Big Delta	Alaska Petroleum	2103-A	Fairbanks	\$ 0.0300
Big Lake	Crowley Petroleum	2103-D	Anchorage	\$ 0.0000
Birch Lake	Alaska Petroleum	2103-A	Fairbanks	\$ 0.0300
Birchwood	Delta Western	2103-E	Anchorage	\$ 0.3050
Camp Carroll	Crowley Petroleum	2103-D	Seattle	\$ 0.1500
Cantwell	Delta Western	2103-E	Seattle	\$ 0.4700
Cascade	Delta Western	2103-E	Seattle	\$ 0.4500
Central	Alaska Petroleum	2103-A	Fairbanks	\$ 0.2100
Chandalar	Delta Western	2103-E	Seattle	\$ 0.7800
Chicken	Alaska Petroleum	2103-A	Fairbanks	\$ 0.1400
Chitina	Delta Western	2103-E	Seattle	\$ 0.5700
Chulitna	Delta Western	2103-E	Seattle	\$ 0.4200
Circle Hot Springs	Alaska Petroleum	2103-A	Fairbanks	\$ 0.2100
Coldfoot	Delta Western	2103-E	Seattle	\$ 0.6900
Cooper Landing	Shoreside Petroleum	2103-H	Seattle	\$ 0.6058
Cordova	Shoreside Petroleum	2103-H	Seattle	\$ 1.5563
Craig	Petro Marine	2103-G	Seattle	\$ 0.8800
Deadhorse	Alaska Petroleum	2103-A	Fairbanks	\$ 0.3600
Delta Junction	Delta Western	2103-E	Seattle	\$ 0.5300
Eagle	Alaska Petroleum	2103-A	Fairbanks	\$ 0.2600
Eagle River	Shoreside Petroleum	2103-H	Seattle	\$ 0.6077
East Fork	Alaska Petroleum	2103-A	Fairbanks	\$ 0.0600
Ernestine	Crowley Petroleum	2103-D	Anchorage	\$ 0.2499
Fairbanks	Delta Western	2103-E	Seattle	\$ 0.5200
Girdwood	Delta Western	2103-E	Seattle	\$ 0.3200
Glennallen	Delta Western	2103-E	Seattle	\$ 0.4700
Gulkana	Delta Western	2103-E	Seattle	\$ 0.4700
Healy	Delta Western	2103-E	Seattle	\$ 0.4700
Homer	Crowley Petroleum	2103-D	Anchorage	- \$ 0.0300
Jim River	Delta Western	2103-E	Seattle	\$ 0.6400
Juneau	Delta Western	2103-E	Seattle	\$ 0.3180
Kasilof	Petro Marine	2103-G	Anchorage	\$ 0.4900
Kenai	Crowley Petroleum	2103-D	Seattle	\$ 0.0899
Kenny Lake	Delta Western	2103-E	Seattle	\$ 0.5200
Ketchikan	Petro Marine	2103-G	Seattle	\$ 0.4100
Klawock/Hollis	Petro Marine	2103-G	Seattle	\$ 0.8800
Livengood	Delta Western	2103-E	Seattle	\$ 0.5700
Manley	Delta Western	2103-E	Seattle	\$ 0.5600
Manley Station	Delta Western	2103-E	Seattle	\$ 0.5600
Montana Creek	Alaska Petroleum	2103-A	Fairbanks	\$ 0.0900
Moose Pass	Shoreside Petroleum	2103-H	Seattle	\$ 0.7080
Nelchina	Delta Western	2103-E	Seattle	\$ 0.4500
Nenana	Delta Western	2103-E	Seattle	\$ 0.5200
North Kenai	Crowley Petroleum	2103-D	Anchorage	\$ 0.2499
Northway	Alaska Petroleum	2103-A	Fairbanks	\$ 0.1100
O'Brien Creek	Alaska Petroleum	2103-A	Fairbanks	\$ 0.1500
Palmer	Delta Western	2103-E	Seattle	\$ 0.3100
Paxson	Delta Western	2103-E	Seattle	\$ 0.4700
Petersburg	Petro Marine	2103-G	Seattle	\$ 0.8800

Pt. Mackenzie	Fishers Fuel	2103-F	Anchorage	\$ 0.0500
Sag River	Alaska Petroleum	2103-A	Fairbanks	\$ 0.2600
Seven Mile	Delta Western	2103-E	Seattle	\$ 0.5800
Seward	Shoreside Petroleum	2103-H	Seattle	\$ 0.7380
Silvertip	Delta Western	2103-E	Seattle	\$ 0.3500
Sitka	Delta Western	2103-E	Seattle	\$ 0.3540
Skagway	Petro Marine	2103-G	Seattle	\$ 0.8800
Slana	Delta Western	2103-E	Seattle	\$ 0.5700
Soldotna	Crowley Petroleum	2103-D	Anchorage	\$ 0.1499
Southfork	Alaska Petroleum	2103-A	Fairbanks	\$ 0.1600
Talkeetna	Delta Western	2103-E	Seattle	\$ 0.4200
Tazlina	Delta Western	2103-E	Seattle	\$ 0.4700
Thompson Pass	Crowley Petroleum	2103-D	Anchorage	\$ 0.2399
Tok	Delta Western	2103-E	Seattle	\$ 0.6100
Trimms	Delta Western	2103-E	Seattle	\$ 0.6300
Valdez	Crowley Petroleum	2103-D	Anchorage	\$ 0.2399
Wasilla	Delta Western	2103-E	Seattle	\$ 0.3350
Willow	Delta Western	2103-E	Seattle	\$ 0.4200
Wrangell	Petro Marine	2103-G	Seattle	\$ 0.9900

**Table B** identifies the locations where the purchase and delivery of **Ultra Low Sulfur Diesel** fuel is **non-mandatory** for state agencies.

Pricing for the locations listed in this table is based on **Remote Delivery** pricing.

**Remote delivery** pricing is based on contractors current Retail Price (less taxes), minus the Discount, and plus or minus the Delivery Surcharge (if applicable), listed in the table below. This equals the **Total Cost per Gallon** of fuel.

The table also lists the vendor and contract number for each location.

**\*Table B: Non-Mandatory Locations**

Location	Vendor	Contract #	Current Retail Price	Discount	Delivery Surcharge	Total Cost per Gallon
Aniak	Crowley Petroleum	2103-D	\$ 7.6360	N/A	N/A	\$ 7.6360
Bethel	Crowley Petroleum	2103-D	\$ 5.8670	\$ 0.2500	N/A	\$ 5.6170
Dillingham	Bristol Alliance Fuels	2103-C	\$ 4.9890	\$ 0.9000	N/A	\$ 4.0890
Dutch Harbor	Delta Western	2103-E	\$ 4.2500	N/A	N/A	\$ 4.2500
Fort Yukon	Crowley Petroleum	2103-D	\$ 7.7940	N/A	N/A	\$ 7.7940
Galena	Crowley Petroleum	2103-D	\$ 6.7620	N/A	N/A	\$ 6.7620
Haines	Delta Western	2103-E	\$ 4.3300	N/A	N/A	\$ 4.3300
Illiamna	Crowley Petroleum	2103-D	\$ 6.2460	N/A	N/A	\$ 6.2460
Kodiak	Petro Marine	2103-G	\$ 3.8900	\$ 0.0700	N/A	\$ 3.8200
Kotzebue	Crowley Petroleum	2103-D	\$ 6.1410	\$ 0.1500	N/A	\$ 5.9910
McGrath	Crowley Petroleum	2103-D	\$ 8.7160	N/A	N/A	\$ 8.7160
Nome	Bonanza Fuel	2103-B	\$ 5.7300	\$ 0.7100	N/A	\$ 5.0200
Wood Tikchik	Bristol Alliance Fuels	2103-C	\$ 4.9890	\$ 0.9000	N/A	\$ 4.0890
Yakutat	Delta Western	2103-E	\$ 4.7680	N/A	N/A	\$ 4.7680

## Contract Terms and Conditions

Listed below are the terms and conditions of these contracts applicable to ordering agencies. If you require additional information or have additional questions, contact the following contracting officer:

**Jason Grove, CPPB**  
**(907) 465-5679**  
**jason.grove@alaska.gov**

**CONTRACT INTENT:** This Invitation to Bid (ITB) is intended to result in mandatory and non-mandatory use contracts for the purchase and delivery of the following fuel types in specific locations throughout the State of Alaska:

Heating Oil  
Ultra Low Sulfur Diesel  
Unleaded Gasoline  
Aviation Fuel (100LL)  
Jet A Fuel

All fuels delivered to the state must meet the current ASTM fuel specifications in effect at the time of delivery for the type of fuel delivered.

The above fuels will be delivered on a "keep-full" or "as-needed" basis into bulk fuel tanks, bulk fuel drums, p/u tanks, or aircraft located throughout Alaska.

All locations designated as Standard Delivery shall be considered mandatory for state agencies. All locations designated as Remote Delivery shall be considered non-mandatory for state agencies.

The contracts established shall be available to all Executive Branch Agencies. In addition, all other State of Alaska governmental entities may purchase from these contracts, such as the Alaska Legislative Branch, the Alaska Court System, the University of Alaska, Boards and Commissions, and all State of Alaska political subdivisions, cities, boroughs, and school districts.

The state reserves the right to solicit competitive quotations outside the contracts for any single purchase of less than 250 gallons or in any location without a contract.

**CONTRACT PERIOD:** The length of the contract will be from the date of award through September 30, 2014 with the option to renew for two, additional one-year terms under the same terms and conditions as the original contract. Renewals will be exercised by mutual consent of the state and the contractor.

**COMPLIANCE:** The bidder must comply with all applicable national, federal, state, local and borough regulations, codes, and laws; be liable for all required insurance, licenses, permits and bonds; pay all applicable federal, state, local and borough taxes.

**PAYMENT FOR STATE PURCHASES:** Payment for agreements under \$500,000 for the undisputed purchase of goods or services provided to a state agency, will be made within 30 days of the receipt of a proper billing or the delivery of the goods or services to the location(s) specified in the agreement, whichever is later.

A late payment is subject to 1.5% interest per month on the unpaid balance. Interest will not be paid if there is a dispute or if there is an agreement that establishes a lower interest rate or precludes the charging of interest.

**USE OF THE STATE OF ALASKA PURCHASING CARD:** Most state agencies have been issued a State of Alaska Purchasing Card (state designated, currently Visa). If accepted by the contractor, the state reserves the right to pay for fuel purchases with the State of Alaska Purchasing Card. If payment is made with a State of Alaska Purchasing Card, charges must be made at the same per-gallon contract pricing; no additional taxes or surcharges are allowed.

**FEDERAL EXCISE TAX:** The State of Alaska is exempt from Federal Excise Tax except for the following:

- Coal - Internal Revenue Code of 1986 (IRC), Section 4121 - on the purchase of coal;

- "Gas Guzzler" - IRC, Section 4064 - on the purchase of low m.p.g. automobiles, except that police and other emergency type vehicles are not subject to the tax;
- Air Cargo - IRC, Section 4271 - on the purchase of property transportation services by air;
- Air Passenger - IRC, Section 4261 - on the purchase of passenger transportation services by air charter.
- Leaking Underground Storage Tank Trust Fund Tax (LUST) - IRC, Section 4081 - on the purchase of Aviation gasoline, Diesel Fuel, Gasoline, and Kerosene.

The State of Alaska is also exempt from State Motor Fuel Taxes. The appropriate exemption forms will accompany any contract(s) resulting from this ITB. The state is not exempt from the Federal Superfund Tax or fuel flowage fees per 17 AAC 45.127.

**CONTRACT ADMINISTRATION:** The administration of this contract is the responsibility of the contracting officer appointed by the Department of Administration, Division of General Services (DGS).

**DEFINITIONS:** The following definitions are applicable throughout the solicitation, all amendments, and any subsequent contract awards:

- **Aircraft Fueling:** In some locations, state agencies may require fueling directly into an aircraft.
- **Av-Gas:** Aviation Gasoline grade 100LL to be used in reciprocating engines.
- **Bidder:** An entity submitting a bid in response to this Invitation to Bid (ITB).
- **Bulk Fuel Tank:** Storage tanks located above or underground, next to, or near a state operated facility that hold 250 gallons or more.
- **Bulk Fuel Drums:** A cylindrical container used for transport and storage of fuel. A bulk fuel drum generally contains 55 gallons.
- ✓ Only new bulk fuel drums shall be filled by the contractor. The procurement of bulk fuel drums by state agencies must follow standard procurement procedures.
- ✓ All bulk drums must be filled by the contractor and either delivered by the contractor to a location specified by the state, or picked up at the contractor's location by state employees.
- **Contractor:** An entity that is awarded a contract with the State of Alaska for the products and services identified in this ITB. The term "contractor" may be used interchangeably with the term "vendor".
- **Contracting Officer:** The DGS contracting officer responsible for the overall development and administration of this ITB and any resulting contracts.
- **Distribution Point:** A location where a contractor has the ability to store bulk fuel for delivery to state facilities located near that distribution point. For contractors who do not store bulk fuel but purchase fuel from other sources, the distribution point would be the location where the fuel is purchased.
- **Jet A:** Jet Fuel used in turbine engines.
- **Mgt:** The abbreviation for Management Fee. The Mgt is the amount per gallon that the contractor charges the state to deliver the fuel. This fee must include all of the contractor's fixed and variable costs such as overhead, handling, delivery costs, fees, profit, etc. and the contractor's cost of having the fuel shipped from a refinery to the contractor's distribution point.
- **OPIS:** Acronym for Oil Price Information Service: <http://www.opisnet.com/>
- **OPIS Price Location:** The OPIS Price location is selected by the bidder on the Bid Schedule. Once selected, the OPIS Price Location remains the same throughout the term of the contract including all renewals.
- **P/U Tank:** A 100-200 gallon tank in a state owned truck that is driven to and from a fueling site by state personnel. The p/u tank will be filled by the contractor personnel. Fuel will be pumped out of p/u tank by state personnel.
- **TFC:** The abbreviation for Total Fuel Cost. The TFC is the actual total amount charged by the vendor for a gallon of fuel, to be reflected on an invoice issued to the state by a contractor for fuel delivered.

**PRODUCT TESTING:** The fuels offered must meet the specifications listed. Prior to bid award and/or during the term of any contracts resulting from this ITB, tests may be performed by the state at its discretion, using appropriate test equipment and methods to measure the conformance with the specifications. The contractor will be allowed to participate in any such tests.

**PRODUCT QUALITY:** In cases of substandard fuel or damage directly traceable to contaminants in the fuel delivered by the contractor, the contractor will be responsible for all costs incurred, including costs of removing all substandard or contaminated fuel from the tanks, drums, p/u tanks, or aircraft, employee costs, damage to machinery, replacement parts, filters, and any additional expense. This includes, but is not limited to, the following impurities: water, dirt, harmful oils, fibrous materials, bacteria, other petroleum products, and contaminants.

The ordering agency and the contractor shall first attempt to determine what caused the substandard fuel or contaminants in the fuel. If the agency and the contractor cannot come to an agreement, the matter shall be referred to the contracting officer. Unless approved by the contracting officer in advance, costs specified in this section cannot be applied to the contractor without the contractor's consent.

**PROTECTION OF STATE PROPERTY AND SPILL PREVENTION:** The contractor shall not damage or contaminate existing buildings, equipment, asphalt pavement, soil, and vegetation, (such as trees, shrubs and grass) on state property. If the contractor damages or contaminates any such buildings, equipment, asphalt pavement, soil or vegetation, or other state facilities, they shall replace the damaged items or repair the damage at no expense to the state and to the satisfaction of the state. Further, should the contractor fail or refuse to make such repairs or replacements, the state may have said repairs or replacement accomplished, and the contractor shall be liable for the cost thereof which may be deducted from the amounts due under this contract.

The ordering agency shall first attempt to collect for replacement, repairs, or cost to be paid through informal agreement with the contractor. If disagreement persists, the matter shall be referred to the contracting officer. Unless approved by the Division of General Services, no costs shall be deducted from amounts due or owing without the contractor's consent.

The contractor must take all measures as required by law to prevent petroleum, oil or lubricant (POL) spills (including, but not limited to, any spilling, leaking, pumping, pouring, emitting, emptying, or dumping into or onto any land or water). In the event the contractor spills any POL (including, but not limited to, gasoline, diesel fuel, fuel oil, lubrication oil, hydraulic oil or aviation fuel), the contractor shall be responsible for the containment, clean-up, and disposal of the POL spilled.

Should the contractor fail or refuse to take the appropriate containment, clean-up, and disposal actions, the state may do so itself; the contractor shall then reimburse the state for all expenses incurred including fines levied by appropriate agencies of federal or local governments.

**SPILL CLEAN-UP:** The contractor shall be responsible for all fuel spills caused by their negligence that may occur during transit or fueling operations. Contractors must immediately report spillage to the local Alaska Department of Environmental Conservation (DEC), and to the United States Coast Guard District Office (USCG), as required by law, and clean up the spillage. Failure to do so will cause the state to take corrective action and charge the contractor for all related costs.

**ORDERING PROCEDURES:** Orders placed under the contracts established as a result of this ITB fall into two categories as detailed below:

**As Needed Orders**

As needed orders placed by using agencies will normally be made via a telephone call to the vendor requesting an "as needed" delivery. Ordering agencies should be prepared to provide the vendor the following information:

- Contract Award Number
- Type of fuel required
- Estimated quantity of fuel required
  
- Delivery address
- State billing address
- Contact name and phone number at delivery address



## **Keep Full Orders**

Keep full orders are generally only placed one time. Once placed, it is the contractor's responsibility to ensure the tank is never less than 25% full. Ordering agencies should be prepared to provide the vendor the following information:

- Contract Award Number
- Type of fuel required
- Size of tank
- Estimated annual quantity
- Special considerations: This could include changing to a different fuel in the winter or having a new requirement due to changes in state operations.
- Delivery address
- State billing address
- Contact name and phone number at delivery address

Note: The ordering agency should notify the contracting officer if a contractor allows a tank to run out of fuel.

**DELIVERY:** While no guarantee is offered or implied as to the quantity of fuel purchased, the contract price shall apply regardless of the quantity of fuel purchased. All deliveries are F.O.B. into state bulk fuel tanks, bulk fuel drums, p/u tanks, or aircraft located throughout Alaska.

All deliveries will be on a "keep full" or "as needed" basis. An agency may request in writing that deliveries be changed to either an "as needed" or "keep full" basis. If requested, the change in delivery status will be effective 30 days after the written notice is provided to the contractor.

### **Keep Full:**

When "keep full" service is requested by an agency, this means that the contractor shall ensure that all tanks will be maintained by the contractor to be not less than 25% full at any time.

### **As Needed:**

When "as needed" service is requested by an agency, the contractor shall complete the delivery **within two working days** after the receipt of an order. Deliveries are to be coordinated between the contractor and the ordering agency upon the placement of an as needed order. The contractor cannot require a minimum order in excess of 200 gallons.

**RUN-OUT PENALTY:** The contractor shall be subject to a \$250.00 run-out penalty each time a tank is permitted to run dry. Upon authorization from the contracting officer, the penalty will be deducted from the next invoice paid by the state. The contractor shall also be liable for any and all damages in excess of \$250 to state equipment and property that results from the tank running out of fuel.

**CONTRACT PRICING:** Contract pricing shall be based on the following two methods:

#### **Standard Delivery Price Structure:**

For all locations under the Standard Delivery Price Structure, the contract pricing will fluctuate according to the Oil Price Information Service (OPIS) Daily gross rack average price published in the OPIS newsletter. For additional information on OPIS, contact the following:

Oil Price Information Service  
Two Washingtonian Center  
9707 Washingtonian Blvd., Suite 100  
Gaithersburg, MD 20878

Circulation: (888) 301-2645  
<http://www.opisnet.com>

The price per gallon of fuel for locations under the Standard Delivery Price Structure shall be based on the following components:

- **OPIS Daily gross rack average:** The OPIS Daily gross rack average in effect on the day of delivery for the location selected on the Bid Schedule (Anchorage, Fairbanks, or Seattle) for the type and grade of fuel delivered. The OPIS price in effect on the day of delivery is the previous day's closing OPIS report.

For example, fuel delivered on Wednesday must be priced using the Tuesday closing OPIS report. Fuel delivered on Monday must be priced using the previous Friday's closing OPIS report.

Note: If there is no OPIS Daily gross rack average available for the Fairbanks OPIS price location, the contractor shall use the OPIS Weekly gross rack average price published weekly on Mondays in the OPIS newsletter.

For example, the OPIS Weekly gross rack average price from the Monday, August 5, 2013, OPIS Newsletter would be in effect for fuel delivered between Monday, August 5, 2013, and Sunday, August 11, 2013.

Note: Since there is no published OPIS Daily gross rack average for Heating Oil and Jet A in the Seattle OPIS location, the contractor shall use the Jet A price published in the daily OPIS West Coast Spot Market Report, Pacific Northwest, for Heating Oil and Jet A deliveries.

For example, Heating Oil and Jet A deliveries made on Wednesday must be priced using the Jet A price published in the Tuesday closing OPIS West Coast Spot Market Report, Pacific Northwest. Heating Oil and Jet A delivered on Monday must be priced using the Jet A price from the previous Friday's closing OPIS West Coast Spot Market Report, Pacific Northwest.

- **Mgt:** The amount per gallon that the vendor charges the state to deliver the fuel. This fee must include all of the vendor's fixed and variable costs such as overhead, handling, delivery costs, fees, profit, etc., and the vendor's cost of having the fuel shipped from a refinery to the vendor's distribution point.

The total of the OPIS Daily gross rack average price plus the Mgt shall equal the TFC price per gallon paid by the state for fuel delivered by the vendor on a specific day for a specific fuel type. The TFC is multiplied by the quantity of fuel delivered to equal the amount the state is invoiced. The OPIS Daily gross rack average fluctuates on a daily basis while the Mgt is a firm rate.

The above price structure applies for all purchases of fuel in standard delivery locations regardless of fuel quantities.

**Standard Delivery Price Structure Example**

OPIS		Mgt		TFC		Qty		Invoice Amount
\$3.459	+	\$0.1025	=	\$3.5615	x	2500	=	\$8903.75

\*The values shown in the example are for illustrative purposes only.

**Remote Delivery Price Structure:**

The pricing structure for all locations under the Remote Delivery Price Structure shall be based on the vendor's current retail price, minus taxes, minus a discount, plus or minus the delivery surcharge.

This price structure also applies to all deliveries of AvGas 100 LL in all locations where contracts for AvGas are awarded, including locations under the Standard Delivery Price Structure. Note: AvGas is not tracked by OPIS.

There are two different pricing structure options for locations under the Remote Delivery Price Structure: Distribution Point and Non-Distribution Point. Bidders must indicate a distribution point for each Remote Delivery location listed on the Bid Schedule.

**Distribution Point:** A location where a bidder has the ability to store bulk fuel for delivery to state facilities located near that distribution point.

**For example:** The bidder stores heating oil in Bethel. The bidder would indicate on the Remote Delivery section of the Bid Schedule that Bethel is a distribution point, enter the current retail price, minus taxes, for heating oil in Bethel, and enter the discount offered to the state. A delivery surcharge is not allowed in locations the bidder identifies as a distribution point.

Note: For bidders who do not store bulk fuel but purchase bulk fuel from other vendors, the distribution point would be the location where the fuel is purchased.

**For example:** Vendor A purchases heating oil from Vendor B located in Bethel. Vendor A then delivers that fuel to state agencies located in Bethel, Atmauluak and Akiak. Vendor A would list Bethel as the distribution point for Bethel, Atmauluak and Akiak. Vendor A would be allowed to enter a delivery surcharge for deliveries to Atmauluak and Akiak but not allowed to enter a delivery surcharge for deliveries in Bethel.

The per gallon price of fuel delivered to locations identified as a distribution point shall be based on the following components:

- **Current Retail Price (CRP):** The current per gallon retail price, minus all applicable taxes, in effect on the day of delivery for the type of fuel delivered in locations identified as distribution points. The price must include the vendor's cost to transport the fuel from the refinery to the vendor's distribution point, and all of the vendor's fixed and variable costs such as overhead, handling, delivery costs, fees, profit, etc.
- **Discount:** The per gallon discount offered by the vendor, which is subtracted from the retail price offered by the vendor at the distribution point location.

The total of the current retail price minus the discount shall equal the TFC price per gallon paid by the state for the specific fuel delivered on a specific day in a location identified as a distribution point. The TFC is multiplied by the quantity of fuel delivered to equal the amount the state is invoiced. The retail price fluctuates depending upon when the vendor receives fuel at their distribution point, while the discount rate remains firm.

The above price structure applies for all purchases in remote locations identified as a distribution point regardless of fuel quantities.

**Distribution Point Price Structure Example**

CRP		Discount	=	TFC	x	Qty	=	Invoice Amount
\$3.1025	-	\$0.0220	=	\$3.0805	x	2,500	=	\$7,701.25

\*The values shown in the example are for illustrative purposes only.

**Non-Distribution Point:** A remote location where a vendor delivers fuel to the state.

**For example:** The bidder stores heating oil in Bethel for delivery to state facilities in Atmauluak and Akiak. The bidder would indicate on the Remote Delivery section of the Bid Schedule that Bethel is the distribution point for Atmauluak and Akiak, enter the current retail price, minus taxes, for heating oil in Bethel, and enter the discount offered to the state. The bidder may also enter a per gallon delivery surcharge for Atmauluak and Akiak.

The per gallon price of fuel delivered to locations identified as non-distribution points shall be based on the following components:

- **Current Retail Price (CRP):** The current per gallon retail price at the distribution point, minus all applicable taxes, in effect on the day of delivery for the type of fuel delivered to each location identified as a non-distribution point. The price must include the vendor's cost to transport the fuel from the refinery to the vendor's distribution point, and all of the bidder's fixed and variable costs such as overhead, handling, delivery costs, fees, profit, etc.
- **Discount:** The per gallon discount offered by the vendor, which is subtracted from the retail price offered at the distribution point location.
- **Delivery Surcharge:** The per gallon amount that the vendor charges the state to deliver the fuel to locations that are identified as non-distribution points.

The total of the current retail price, minus the discount, plus the delivery surcharge, shall equal the TFC per gallon paid by the state for the specific fuel delivered on a specific day to a location identified as a non-distribution point. The TFC is multiplied by the quantity of fuel delivered to equal the amount the state is invoiced. The retail price fluctuates depending upon when the vendor receives fuel at their distribution point, while the discount rate and delivery surcharge rate remains firm.

The above price structure applies for all purchases in remote locations identified as a non-distribution point regardless of fuel quantities.

**Non-Distribution Point Price Structure Example**

CRP	Discount		Delivery Surcharge	=	TFC	x	Qty	=	Invoice Amount
\$3.1025	- \$0.0220	+	\$0.0154	=	\$3.0959	x	2500	=	\$7,739.75

\*The values shown in the example are for illustrative purposes only.

**BLENDING FUELS:** The contractor shall coordinate with the ordering agency to ensure delivery of the fuel grade appropriate for weather conditions at the time of delivery. If a blend of #1 and #2 fuels is required, the contractor shall charge the ordering agency based on the following:

**Standard Delivery Price Structure:** Locations under the Standard Delivery Price Structure shall be charged the contract based OPIS Daily gross rack average price in effect for the particular location on the day of delivery, for the number of gallons of each fuel type, plus or minus the Mgt. No additional charges are permitted for the blending of fuels.

**Blended Fuel Price Example - Standard Delivery**

Fuel Type	OPIS		Mgt	=	TFC	x	Qty	=	Invoice
#1	\$3.4590	+	\$0.1790	=	\$3.6380	x	2500	=	\$9,095.00
#2	\$3.2590	+	\$0.1790	=	\$3.4380	x	1500	=	\$5,157.00
								<b>Total Invoice</b>	<b>= \$14,252.00</b>

**Remote Delivery Price Structure:** Locations under the Remote Delivery Price Structure shall be charged the contract based CRP, minus all applicable taxes, in effect for the particular location on the day of delivery, for the number of gallons of each fuel type. If the location is a distribution point, the applicable per-gallon discount will also be subtracted. If the location is a non-distribution point, the applicable discount will also be subtracted and the applicable per-gallon delivery surcharge (DS) will be added. No additional charges are permitted for the blending of fuels.

**Blended Fuel Price Example - Remote Delivery - Distribution Point**

Fuel Type	CRP		Discount	=	TFC	x	Qty	=	Invoice
#1	\$3.1025	-	\$0.0220	=	\$3.0805	x	2500	=	\$7,701.25
#2	\$3.0412	-	\$0.0220	=	\$3.0192	x	1500	=	\$4,528.80
								<b>Total Invoice</b>	<b>= \$12,230.05</b>

**Blended Fuel Price Example - Remote Delivery - Non-Distribution Point**

Fuel Type	CRP		Discount		DS	=	TFC	x	Qty	=	Invoice
#1	\$3.1025	-	\$0.0220	+	\$0.0154	=	\$3.0959	x	2500	=	\$7,739.75
#2	\$3.0412	-	\$0.0220	+	\$0.0154	=	\$3.0346	x	1500	=	\$4,551.90
									<b>Total Invoice</b>	<b>= \$12,291.65</b>	

**PRICE ADJUSTMENTS:** The contracts resulting from this ITB will include the following price adjustment clause:

**Mgt Price Adjustment:** The Mgt price offered in response to this ITB for each delivery location shall remain firm from the date of award through September 30, 2014. The Mgt price is the amount per gallon that the contractor charges the state to deliver the fuel. This fee must include all of the contractor's fixed and variable costs such as overhead, handling, delivery costs, fees, profit, etc., and the contractor's cost of having the fuel shipped from a refinery to the contractor's distribution point.

Contractors may request Mgt price adjustments, in writing, 30 days prior to the contract renewal date. If a contractor fails to request a price adjustment 30 days prior to the adjustment date, the adjustment will be effective 30 days after the state receives their written request. All Mgt price adjustments must be approved by the contracting officer prior to the implementation of the adjusted price. Approval shall be in the form of a contract amendment issued by the contracting officer.

Price adjustments to the Mgt price(s) will be made in accordance with the percentage change in the U.S. Department of Labor Consumer Price Index (CPI-U) for All Urban Consumers, All Items, Anchorage Area.

The price adjustment rate will be determined by comparing the percentage difference between the CPI in effect for the base year six month average (January through June 2013), and each January through June six-month average thereafter. The percentage difference between those two CPI issues will be the price adjustment rate. No retroactive Mgt price adjustments will be allowed.

**Retail Price Adjustment:** For the first 45 days of the contract, the retail pricing offered in response to this ITB shall remain firm. After the first 45 days, contractors may submit evidence of new retail pricing. The retail pricing may then be adjusted by the contractor each time they receive fuel from their fuel supplier to an identified distribution point. Retail pricing offered must not include taxes.

A copy of the contractor's retail pricing must be provided to the DGS contracting officer within seven days of the contractor's receipt of fuel at their distribution point. The new retail pricing does not go into effect until the contracting officer's receipt of the pricing information from the contractor. Under no circumstances is updated retail pricing retroactive

**INVOICING:** All invoices produced by the contractor as a result of purchases made by the state shall contain the following information, at a minimum:

1. Contract number
2. Delivery location
3. Delivery ticket number
4. Date of order (if an "as needed" order)
5. Date of delivery
6. Type of fuel delivered
7. Quantity delivered
8. Type, quantity and price for any additives
9. Total extended price

Only one invoice may be submitted per order; do not produce multiple invoices for partial shipments. Partial payments will not be made.

Invoices that contain the appropriate information will be processed for payment. Invoices that do not contain the correct documentation will be returned to the contractor for clarification.

It shall be the responsibility of the contractor to include with the invoice if possible, fuel delivery ticket(s) that are legibly signed by authorized state personnel. The state recognizes that under some circumstances it may not be possible to have the delivery tickets signed by an authorized representative of the state. However, the contractor must make a reasonable effort to have the delivery tickets signed. The quantity and fuel type as indicated on the delivery ticket(s) must be the same as the quantity and fuel type on the invoice submitted for payment.

**INVOICE SUBMITTAL:** Invoices for all fuel purchases must be sent directly to the ordering agency. It shall be the responsibility of the contractor to obtain the correct mailing address and billing contact information for all users.

**ANTICIPATED USERS:** The contracts established as a result of this ITB shall be available to all Executive

Branch Agencies. In addition, all other State of Alaska governmental entities may, upon mutual agreement with the contractor, purchase from the contracts resulting from this ITB. Other State of Alaska governmental entities include the Alaska Legislative Branch, the Alaska Court System, the University of Alaska, Boards and Commissions, and all State of Alaska political subdivisions, cities, boroughs, and school districts.

**NEW USERS:** New users within a location serviced under a contract may be added at any time during the contract term. The contractor, prior to start of delivery to a qualified new user, should obtain required delivery and billing information from the ordering agency.

**CERTIFIED METERS:** All fuel delivered by truck must either be certified at the rack through a bill of lading (BOL) for accurate delivery volume or be delivered by a truck that has fixed meters for registering exact quantities of fuel pumped. Regardless of method, all meters utilized for measuring fuel volume shall be calibrated and certified by State of Alaska, Department of Transportation and Public Facilities, Division of Weights and Measures.

Meters must be recalibrated at the frequency prescribed by the Department of Transportation and Public Facilities. Meters that malfunction must be repaired and re-calibrated before being placed back in service. Any unsealed meter or meters found to be out of calibration tolerances shall not be utilized to perform any contract fueling requirements.

The contractor shall be responsible for all calibration or recalibration costs. Meters must have totalizer capability along with register capability. All numbers on the registers and totalizers must be legible and easy to read.

**SPECIFICATIONS:** All fuel delivered must meet the appropriate current ASTM specification for the type of fuel delivered. It is the contractor's responsibility to ensure that all EPA requirements are met and to ensure continued compliance with all federal, state, and local requirements throughout the term of the contract including all renewals.

All diesel tanks used for refueling vehicles and equipment must dispense ultra low sulfur diesel per EPA mandates. For information on the current requirements of ULSD fuel use in Alaska, see the Department of Environmental Conservation website at: <http://dec.alaska.gov/air/anpms/ulsd/ulsdhome.htm>

**ADDITIVES:** At the ordering agencies request, contractors may be required to supply, and in some cases blend, fuel additives, conditioners, or treatments product into the fuel purchased. All additives, conditioners, and treatments must meet the applicable federal, state, and local requirements and ensure the fuel delivered remains compliant to all EPA requirements.

The price charged for all additives, conditioners, or treatments shall be based on the contractor's wholesale price. The price for the additive, conditioner, or treatment shall be added to the fuel delivery invoice as a separate line item. The state reserves the right to purchase additives, treatments, and conditioner from all available sources, including non-contract sources. Blending shall be provided by the contractor at no additional charge to the state.

**INTERRUPTION OF SERVICE:** If, in the event fueling services are interrupted at any of the specified fueling locations and the interruption is the responsibility of the contractor's, the contractor must notify the contracting officer at the following number: (907) 465-5679

Should a contractor determine the need to subcontract for fuel delivery in a specific location in order to meet the contract terms and conditions, the contractor will be required to provide in writing, all subcontractor information, location of delivery, and the amount and type of fuel required, to the contracting officer for approval, prior to fuel delivery. The fuel must be delivered in accordance with the terms and conditions of the contract and no additional charges will be allowed.

**INTERRUPTION OF SERVICE DUE TO ICING:** If ocean or river ice prevents the contractor from transporting the required fuel to a remote delivery location that is under contract, the contractor shall not be responsible for the inability to deliver fuel to a using agency in the location affected. All reasonable efforts must be made by the contractor to transport the required fuel to a contract location affected by ice. In the event an icing issue occurs, the contractor must notify the contracting officer and using agencies that may be affected within 48 hours of the incident.

**The following section applies to all Jet A and Aviation Gasoline (100 LL) deliveries.**

**FILTER SYSTEM STANDARDS:** All fuel provided for aviation purposes must be filtered directly into bulk tanks under the most current filter standards provided by the American Petroleum Institute (API) or Institute of

Petroleum (IP).

Aviation fuel shall be dispensed into aircraft, bulk fuel tanks, or bulk fuel drums through filter vessels containing filter/separator or filter monitor type elements to continuously remove contamination down to levels acceptable for aircraft usage. All filtration equipment must meet industry performance qualifications of current edition of I.P. specification for aviation fuel filter monitors with absorbent type elements for mobile or stationary filter vessels.

**FILTER DESIGN CODES:** Filter vessels shall be designed and constructed to conform to industry standards. All piping connections shall be weld end, flanged, or approved couplings. Connections shall have a rating equal to or greater than the pressure rating of the vessel.

**FILTER VESSEL CONSTRUCTION:** The filter vessels shall be stainless steel, aluminum, or carbon steel. Carbon steel vessels shall be internally coated with an industry approved epoxy coating. Metal parts in contact with fuel shall not be made of metals such as zinc, copper, cadmium, or their alloys. Galvanized material is not authorized.

**NAMEPLATE:** A stainless steel, nonferrous metal, or weather proof placard nameplate shall be securely attached to the vessel. The nameplate shall include the following information as a minimum:

- a. manufacturer's name and address
- b. serial number
- c. unit number
- d. API/IP classification/qualification
- e. designed flow rate
- f. date of manufacturer recommended element change frequency
- g. designed pressure differential maximum
- h. date put in service
- i. actual differential pressure maximum

**GASKETS:** All gaskets shall be fuel compatible, defect, and leak free. Use of a Viton A, Buna N, or equivalent material is recommended.

**DIFFERENTIAL PRESSURE GAUGE:** The filter vessel shall be equipped with a pressure differential gauge. The gauge will provide the pressure difference between upstream and downstream pressures. All pressure gauges must meet manufacturer's calibration requirements. Gauges must be sensitive enough to indicate a difference in pressure during actual flow rates (no readings of zero).

**AIR ELIMINATOR:** Each filter/separator or monitor vessel shall be able to automatically or mechanically vent trapped air.

**PRESSURE RELIEF VALVE:** Each filter/separator shall be equipped with a pressure relief valve set above the designed working pressure of the vessel and below the maximum design pressure allowable.

**INLET-OUTLET MARKING:** Filter inlet and outlet connections shall be permanently marked.

**ELEMENT SEALING:** Element sealing should meet industry standard mechanical requirements and manufacturer recommendations. They shall not leak or allow fuel by-pass.

**QUALITY CONTROL TAPS:** Sampling taps with probes shall be provided downstream of filter vessel to permit the taking of effluent fuel samples under flow conditions. Taps should be equipped with a Gammon Technical Products Inc. connection (aircraft sampling kit #1 or #7), or equal. Probes allow Aqua-Glo, Matched Weight Gravimetric, and Color & Particle Assessment testing to determine particulate and free water contamination.

Filtered fuel must be delivered to bulk tank at a minimum of 100 gallons per minute.



P.O. Box 79018 SEATTLE, WA 98119

December 12, 2013

CITY OF WASILLA  
290 E HERNING AVE  
WASILLA, AK 99654

To Our Valued Customer:

We are excited to announce our forthcoming merger between two of Alaska's foremost petroleum distribution companies, Delta Western, Inc. and Inlet Petroleum Company, Inc. Both companies have been operating under common Saltchuk ownership since the acquisition of Delta Western in 2000 and Inlet Petroleum in 2005. The merger is scheduled to officially take place on January 1, 2014. On this date, the two companies will become a single unit, embarking on a combined mission to provide the absolute best in fuel, lubricants and services to our valued customers.

**-The New Company-**

For more than 27 years, Delta Western and Inlet Petroleum have served Alaskans safely. A household name recognized in many Alaskan communities, the newly combined company will continue to distribute its products from its fuel terminals and lubricant warehouses throughout Southeast Alaska, Western Alaska/Bristol Bay, Aleutians/Pribilofs, and the rail belt and road system in Alaska. Sustained future growth of the company is directly tied to the successful marketing of fuel and lubricants for all types of industries and applications. We are a nationally recognized lubricants distributor for companies such as ChevronTexaco, ConocoPhillips, Shell, and Ford Motorcraft, and is Alaska's exclusive distributor of BP Lubricants, Air BP, Castrol Heavy Duty, Castrol Consumer, Aeroshell and Pennzoil-QuakerState. Our company sincerely understands it is a privilege to serve its customers. Those close relationships built between our companies and its customers have enabled us to identify and offer the products and services that add value to the Alaskan market, making our new company one of the largest suppliers of fuel, fuel additives, light-duty filters, automotive and industrial glycols, cleaners/degreasers, lubricant dispensing equipment and spill response materials in Alaska. Our enduring dedication to safety, exceptional customer service, on-time delivery service and long-standing partnerships with our suppliers defines us, and guarantees the highest commitment to serving Alaska's petroleum needs.

**-The Future-**

Merging these two great businesses will allow the combined company to leverage a wider array of services and provide more depth, without sacrificing the excellent customer service, competitive pricing and quality products our customers have come to expect. Delta Western, Inc. and Inlet Petroleum Company share the same values and hold themselves to the same high expectations in order to best serve you, our customer. With this in mind, the merger means a consolidated approach that will allow the combined company to focus greater resources toward continually improving that experience. However, there are several things we want to point out that will not change:

- Our unwavering commitment to safety and the environment
- The services you have come to expect and deserve will continue to be offered by the combined company
- Existing contracts and price structures will be honored
- You will continue to work with the same devoted employees you have in the past



If you have any questions about this exciting news and what it will mean for you, please do not hesitate to contact us at any time. We look forward to a continued partnership and are grateful to you not only for giving us the opportunity to provide you with our services, but for your loyalty. We are confident that this organization will serve all of us well.

Warmest Regards,



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