



# 191073

Emergency Ordinance

## **\*Authorize multiyear price agreements with Associated Petroleum Products, Inc. and Fleet Fuels, LLC for ongoing citywide supply of gasoline and diesel fuel for an annual agreement amount of \$8 million**

Passed

The City of Portland ordains:

Section 1. The Council finds:

1. The City currently has an ongoing need for gasoline and diesel fuel, to fuel both its vehicles, equipment and also vehicles owned and operated by other local public agencies such as Portland Public Schools and Multnomah County, where the City sells such fuel to those agencies at its filling stations.
2. The City's current multiyear price agreement for gasoline and diesel fuel, Price Agreement # 31001226 with Associated Petroleum Products, Inc. will soon reach the end of its 5-year contract term and expire on December 31, 2022, and the City must establish at least one new price agreement to replace it.
3. The City recognizes the need to convert its fleet of conventional vehicles to alternative-fuel vehicles powered by electricity, renewable natural gas, and green hydrogen, to help mitigate the effects of climate change. The City has begun this process of transformation and is committed to continue the transformation over the coming years, but in the meantime, the City and its customers will continue to need gasoline and diesel fuel.
4. The City's current fuel vendor, Associated Petroleum Products, Inc. has been providing a satisfactory supply of gasoline under City Price Agreement # 31001226, but has not been able to provide a consistent supply of R99, which is a renewable grade of diesel fuel that is made from low-carbon, recently-living, renewable biomass such as vegetable oil and animal fats, instead of conventional diesel made from fossilized biomass. It is the City's policy and desire to fuel

### Introduced by

[Mayor Ted Wheeler](#)

### Bureau

[Management and Finance;](#)  
[Revenue and Financial Services](#)

### Contact

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### Requested Agenda Type

Regular

### Date and Time Information

#### Requested Council Date

November 16, 2022

#### Time Requested

15 minutes

all diesel engines with R99 when it is available, but requires a consistent supply of R99 to do so.

5. Fleet Fuels, LLC is a Portland-based, BIPOC-owned, COBID-certified, disadvantaged business enterprise that will be able to provide a consistent supply of R99, in the quantities the City requires, in addition to gasoline, at prices that Procurement Services deems to be competitive.
6. The State of Oregon's Department of Administrative Services has competitively awarded a price agreement to Associated Petroleum Products, Inc. (Price Agreement # 9510) for supply of gasoline and diesel delivered to the Portland metropolitan area at competitive prices with the lowest prices for high volumes of unleaded gasoline. The price agreement may be utilized by members of the Oregon Cooperative Procurement Program (ORCPP), and the City is a member of ORCPP. State of Oregon Price Agreement # 9510 features more favorable pricing than City Price Agreement # 31001226.
7. Per Portland City Code 5.33.120, Sole-Source Procurements, the City may award a multiyear price agreement, without competition, upon the approval of City Council.
8. The City's annual spend on gasoline and diesel fuel in 2021 was \$4.5 million. The average price of fuel today is nearly double what it was five years ago and may continue to rise over the coming years.
9. The City will benefit from having two contracted sources of fuel as the global supply chain of fuel is subject to sudden interruptions and shortages, as is the case now with R99 where Associated Petroleum Products hasn't been able to provide a consistent supply of R99, and having a second contracted source, such as Fleet Fuels, would allow the City to procure fuel from the best available source at the time of order.

NOW, THEREFORE, the Council directs:

- A. The Chief Procurement Officer is authorized to execute an agreement to utilize Price Agreement # 9510 between State of Oregon and Associated Petroleum Products, Inc., doing business as World Kinect ("APP") for supply of unleaded and diesel fuel, in the amount of \$8 million per year for each year the State agreement is valid.
- B. The Chief Procurement Officer is authorized to execute a sole-source price agreement with Fleet Fuels LLC in the amount of \$8 million per year over a five-year contract term.

Section 2. The Council declares that an emergency exists because the current fuel supply contract expires December 31, 2022 and at least one other fuel supply contract is needed to ensure a consistent supply of fuel to the City; therefore, this Ordinance shall be in full force and effect from and after its passage by the Council.

An ordinance when passed by the Council shall be signed by the Auditor. It shall be carefully filed and preserved in the custody of the Auditor (City Charter Chapter 2 Article 1 Section 2-122)

Passed by Council  
November 16, 2022

Auditor of the City of Portland  
Mary Hull Caballero

## **Impact Statement**

### **Purpose of Proposed Legislation and Background Information**

The City, comprised of its bureaus, currently has an ongoing need for gasoline and diesel fuel, to fuel both its vehicles, equipment and also vehicles owned and operated by other local public agencies such as Portland Public Schools and Multnomah County, where the City sells such fuel to those agencies at its filling stations. For the past five years the City has procured such fuel under a competitively-awarded supply contract with Associated Petroleum Products, doing business as World Kinect ("APP"), where the contractor's tanker trucks are used to deliver fuel on a bulk basis to various City-owned storage tanks as needed from time to time. Most of the fuel is later consumed by City-owned vehicles, as managed by CityFleet, in vehicles operated by Portland Police Bureau, Portland Fire & Rescue, Portland Water Bureau, Bureau of Environmental Services, Portland Bureau of Transportation, Portland Parks and Recreation, and other bureaus. The fuel is also needed to power various bureaus' backup electrical generators and equipment.

The supply contract with APP began on January 1, 2018 and will expire on December 31, 2022 and was authorized by City Council on April 5, 2017 per Ordinance 188307. The contractor provides fuel at competitive prices, but over the past year has faced supply chain challenges resulting in the City not always getting the fuel it has ordered, especially R99 which is a grade of diesel fuel made from recently-living biomass instead of fossilized biomass. It is the City's policy to use R99 whenever it is available. The State of Oregon has a price agreement with APP that features favorable pricing compared to the City's price agreement, and the State's agreement is available to the City through the use of Participating Agreement.

While the City would like to continue to have APP available as a contracted source of supply for another five years, the City should have a second source of fuel available under contract to mitigate supply shortages caused

by volatile global energy markets. Fleet Fuels, LLC is a Portland-based, BIPOC-owned, COBID-certified, disadvantaged business enterprise that will be able to provide a consistent supply of R99, in the quantities the City requires, in addition to gasoline, at prices that Procurement Services deems to be competitive. Per Portland City Code 5.33.120, Sole-Source Procurements, the City may award a multiyear price agreement, without competition, upon the approval of City Council.

## **Financial and Budgetary Impacts**

The creation of these two supply agreements will have no impact on City bureaus' budgets. Each agreement is a price agreement where there is no guarantee or obligation of the City to buy any amount of fuel, but there is a total not-to-exceed amount of \$8 million per year, per agreement. Contract term of Participating Agreement with APP would coincide with contract term of price agreement with State of Oregon, which has a maximum term ending December 31, 2029. Contract term of Price Agreement with Fleet Fuels would be five years. In calendar year 2021, the City spent \$4.5 million on such fuel by issuance of purchase orders. In 2022 to date, average fuel prices have nearly doubled in the past five years, so it is prudent for the City to be prepared to pay \$8 million per year for such fuel. CityFleet budgets estimated fuel costs for all City bureaus through Interagency Agreements. As global average pricing of fuel fluctuates, CityFleet is expected to adjust bureaus' budgets accordingly on a year-to-year basis, as has been the historical practice.

## **Community Impacts and Community Involvement**

Fleet Fuels LLC is a small company, headquartered in Portland, Oregon, owned by a Black man, and is certified by State of Oregon's Certification Office of Business Inclusion and Diversity (COBID) as both a Disadvantaged Business Enterprise (DBE) and a Minority Business Enterprise (MBE). All employees of the company, including its delivery drivers, are locally-based. The drivers will include experienced drivers teaching inexperienced drivers that are newly-graduated from an Oregon-based commercial driving school.

Associated Petroleum Products is an international, majority-owned business, but employs local-area drivers.

The City will utilize Fleet Fuels as its primary source of fuel, with APP serving as a secondary/backup supplier when necessary.

## **100% Renewable Goal**

The City has chosen to use R99 diesel which is a type of diesel fuel that is made from recently-living biomass, such as vegetable oils and animal fats, that are naturally low in carbon and renewable, as compared to conventional diesel that is made from high-carbon, fossilized biomass. The carbon intensity (LCA) of R99 is approximately 60 percent less than

conventional diesel, and it meets the Low Carbon Fuel Standard established by the California Air Resource Board (CARB). Currently, R99 is a scarce resource where demand is greater than supply; these supply contracts will prioritize the City for delivery of R99 when available.

## **Budget Office Financial Impact Analysis**

The creation of these two supply agreements will have no impact on City bureaus' budgets. Each agreement is a price agreement where there is no guarantee or obligation of the City to buy any amount of fuel, but there is a total not-to-exceed amount of \$8 million per year, per agreement. Contract term of Participating Agreement with APP would coincide with contract term of price agreement with State of Oregon, which has a maximum term ending December 31, 2029. Contract term of Price Agreement with Fleet Fuels would be five years. In calendar year 2021, the City spent \$4.5 million on such fuel by issuance of purchase orders. The price of the fuel contained in these agreements is indexed and varies day by day with no fixed price. In 2022 to date, average fuel prices have nearly doubled in the past five years, so it is prudent for the City to be prepared to pay \$8 million per year for such fuel. CityFleet budgets estimated fuel costs for all City bureaus through Interagency Agreements. As global average pricing of fuel fluctuates, CityFleet is expected to adjust bureaus' budgets accordingly on a year-to-year basis, as has been the historical practice.

## **Agenda Items**

### **973 Regular Agenda in November 16-17, 2022 Council Agenda**

Passed

Commissioner Mingus Mapps Yea

Commissioner Carmen Rubio Yea

Commissioner Dan Ryan Yea

Commissioner Jo Ann Hardesty Yea

Mayor Ted Wheeler Yea