

DATE: APRIL 17, 2024

FROM: CONSTRUCTION AND MAINTENANCE

SUBJECT: RESOLUTION NO. _____ - AWARD OF CONTRACT NO. 40042 TO THE MERRIMAC PETROLEUM, INC. FOR MARINE DELIVERED FUEL

SUMMARY:

Staff requests approval of Contract No. 40042 (Contract), a one-year contract with two one-year renewal options, to Merrimac Petroleum, Inc. dba Merrimac Energy Group (Merrimac) of Long Beach, California for marine delivered fuel to be used by City of Los Angeles Harbor Department (Harbor Department) vessels. The amount of this agreement shall not exceed \$438,000 annually, or a total not to exceed amount of \$1,314,000 for the duration of the three-year agreement if all options are exercised. The Harbor Department will be financially responsible for the payment of costs incurred under the proposed Contract.

RECOMMENDATION:

It is recommended that the Board of Harbor Commissioners (Board):

1. Find that the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of the California Environmental Quality Act (CEQA) under Article II Section 2(f) of the Los Angeles City CEQA Guidelines;
2. Award Contract No. 40042 to Merrimac in the amount of \$438,000 for a period of one year, with two one-year renewal options in the same amount annually to be exercised by the Executive Director or his/her designee;
3. Authorize the Executive Director to execute and the Board Secretary to attest to Contract No. 40042 for and on behalf of the Board; and
4. Adopt Resolution No. _____.

DISCUSSION:

Background - The Harbor Department currently has an active fleet of 43 marine vessels. These vessels are assigned to the Port Pilots, Port Police, Construction, and Construction and Maintenance (C&M) Divisions. Six (6) vessels use diesel fuel, and 37 vessels use gasoline. The proposed Contract (Transmittal 1) requires the selected vendor to supply and deliver all required fuels from a marine docking facility capable of fueling vessels up to 100 feet long. The delivery is to be made directly from the wharf to the vessel's fuel tank.

DATE: APRIL 17, 2024

PAGE 2 OF 5

SUBJECT: APPROVAL OF CONTRACT NO. 40042 TO MERRIMAC PETROLEUM, INC.

Between 2022 and 2023, the Port has spent between \$394,000 and \$470,000 total annually on marine delivered fuel.

The California Office of Administrative Law (OAL) approved 2022 amendments to the California Air Resources Board (CARB) Commercial Harbor Craft (CHC) Regulation on December 30, 2022, mandating that renewable diesel must be used by all CHC operating in the State beginning January 1, 2023.

Renewable diesel is a transportation fuel made from 100% sustainably sourced renewable materials such as vegetable oils, animal fats, used cooking oil, and inedible oil to create renewable diesel fuel with a low carbon footprint. The chemical and structural properties of renewable diesel and CARB diesel are similar. Renewable diesel meets the federal registration requirements for fuels and fuel additives, and the American Society for Testing Materials (ASTM) D975. Renewable diesel-petroleum diesel blends are labelled with an R followed by the percentage (by volume) of the renewable diesel content. A person subject to this section shall only fuel a diesel engine on a harbor craft with at least 99 percent renewable diesel (R100 fuel or R99 fuel blend). Per CHC Regulation section 2299.5, title 13, division 3, chapter 5.1 of the California Code of Regulations (CCR) and section 93118.5, title 17, chapter 1, subchapter 7.5, any person who sells, supplies, offers for sale, purchases, owns, operates, leases, charters, or rents any new or in-use Harbor Craft must comply with the renewable diesel fuel requirement effective January 1, 2023.

The renewable diesel fuel requirement in CCR section 93118.5(e)(7) applies to all dredges, articulated tug barges, and petrochemical tank barges, and an ocean-going tugboat or towboat that has a "registry" (foreign trade) endorsement on its United States Coast Guard certificate of documentation or that is registered under the flag of a country other than the United States, except when on voyages comprised of "continuous and expeditious navigation" through Regulated California Waters, as provided in section 93118.5 (c)(1).

Oil Price Information Service (OPIS) is a private, independent company with no stake in the increase or decrease in fuel prices. OPIS provides daily coverage of the various refined oil products bought and sold in the open or spot market at the nation's top oil trading centers. The OPIS estimated cost figures are recognized as the industry standard for benchmarking for fuel purchases by large fleets. Large utilities, rental car companies, housing authorities, state and local governments, and private corporations buy and sell fuel based on OPIS spot market assessments.

Selection Process – C&M submitted a purchase requisition to the Contracts and Purchasing Division (CPD). The CPD released a Request for Bids (RFB) No. F-1201 on March 5, 2024. It was advertised on the City of Los Angeles Regional Alliance Market Place (RAMP) and the Harbor Department website. This bid requested a total of four (4) prices to qualify as a responsive bid: small and large orders of diesel fuel, Renewable (R99) and small and large

DATE: APRIL 17, 2024

PAGE 3 OF 5

SUBJECT: APPROVAL OF CONTRACT NO. 40042 TO MERRIMAC PETROLEUM, INC.

orders of super unleaded 91 octane gasoline. The bidders were asked to provide their markup or discount applied to each gallon of these fuels (in dollar terms, not percentages). The discount or markup they provided is based on the OPIS Market Average Weekly Closing Rack Price. The discount or markup provided by the selected bidder will remain constant throughout the Contract, but the OPIS Rack Price will be subject to market fluctuations.

Per statistics on RAMP, the bid was viewed by 21 unique companies (Transmittal 2), and the bid document was downloaded by 18 unique companies (Transmittal 3). Two (2) bids were received by the March 29, 2024 deadline. Bids have been tabulated as detailed in Transmittal 4. Merrimac was the lowest, responsive bidder; therefore, staff is recommending approval of the proposed Contract No. 40042 with Merrimac.

The following table summarizes the results using the dollar amount above OPIS (per gallon) for the bidder:

Fuel Category	Merrimac
Diesel Fuel, Renewable (R99) (0 - 249 gallons)	\$0.65
Diesel Fuel, Renewable (R99) (250 - 1,999 gallons)	\$0.60
Super Unleaded 91 Octane Gasoline (0 - 249 gallons)	\$0.65
Super Unleaded 91 Octane Gasoline (250 - 1,999 gallons)	\$0.60

ENVIRONMENTAL IMPACT:

The proposed action is approval of a one year contract with two one-year renewals with Merrimac for marine delivered fuel to be used by Harbor Department vessels, which is an administrative action. Therefore, the Director of Environmental Management has determined that the proposed action is administratively exempt from the requirements of CEQA in accordance with Article II Section 2(f) of the Los Angeles City CEQA Guidelines.

FINANCIAL IMPACT:

Approval of the proposed marine delivered fuel Contract No. 40042 would award Merrimac a one-year contract, with two one-year renewal options at an annual cost of \$438,000, or \$1,314,000 if all options are exercised over the three-year term.

DATE: APRIL 17, 2024

PAGE 4 OF 5

SUBJECT: APPROVAL OF CONTRACT NO. 40042 TO MERRIMAC PETROLEUM, INC.

Spending under the proposed Contract is expected to occur as follows:

Fiscal Year	A55040 Center 0510 Program 000	A55040 Center 0320 Program 000	Total
2025	\$435,000	\$3,000	\$438,000
2026	\$435,000	\$3,000	\$438,000
2027	\$435,000	\$3,000	\$438,000
Total	\$1,305,000	\$9,000	\$1,314,000

Fiscal Year (FY) 2024/2025 funding in the amount of \$438,000 has been requested to be budgeted within the accounts, cost centers and programs provided in the above table, pending Board approval. Future fiscal year funding will be requested as part of the annual budget process upon Board approval.

DATE: APRIL 17, 2024

PAGE 5 OF 5

SUBJECT: APPROVAL OF CONTRACT NO. 40042 TO MERRIMAC PETROLEUM, INC.

CITY ATTORNEY:

The Office of the City Attorney has reviewed and approved the Agreement as to form and legality.

TRANSMITTALS:

1. Contract No. 40042, Formal Bid No. F-1201
2. C&M_Bid No. F-1201 Views
3. C&M_Bid No. F-1201 Downloaded
4. Recap of Bid No. F-1201

FIS Approval: JS

CA Approval: SO



TIM CLARK
Director of Port Construction and Maintenance

APPROVED:



EUGENE D. SEROKA
Executive Director

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Dina Aryan-Zahlan
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