



## Board Report

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Agenda Number: 30.

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### OPERATIONS, SAFETY, AND CUSTOMER EXPERIENCE COMMITTEE JUNE 15, 2023

**SUBJECT: ULTRA-LOW SULFUR AND RENEWABLE DIESEL FUEL**

**ACTION: APPROVE CONTRACT AWARD**

#### **RECOMMENDATION**

AUTHORIZE the Chief Executive Officer (CEO) to award a four-year, Indefinite Delivery/Indefinite Quantity (IDIQ) Contract No. FY98248000 to AAA Oil, Inc. DBA California Fuels and Lubricants, the lowest responsive and responsible bidder, for ultra-low sulfur diesel fuel and renewable diesel fuel. The contract three-year base amount is \$2,492,594.68, inclusive of sales tax, and the one-year option amount is \$825,768.17, inclusive of sales tax, for a total contract amount of \$3,318,362.85, subject to resolution of any properly submitted protest(s), if any.

#### **ISSUE**

Metro has a fleet of tow trucks, tractors, hi-rail vehicles, emergency generators, and other non-revenue equipment used to support the maintenance of the bus and rail fleets. Facilities Maintenance uses specialized non-revenue vehicles to maintain the bus and rail infrastructure and perform light construction work. Materials Management operates heavy-duty, non-revenue equipment to transfer major components and subsystems between warehouses and bus and rail maintenance divisions. Diesel fuel is required for many of these support vehicles.

The award of this contract will ensure that bus, rail, non-revenue, and other support departments have an adequate supply of ultra-low sulfur diesel fuel and renewable diesel fuel for non-revenue vehicles, including tow trucks, tractors, hi-rail vehicles, emergency generators, and other diesel-fueled equipment.

#### **BACKGROUND**

Metro's medium and heavy-duty non-revenue vehicles that support the maintenance of the compressed natural gas bus fleet, rail vehicles, and the infrastructure that supports these vehicles primarily operate on ultra-low sulfur and renewable diesel fuels. These non-revenue vehicles are essential to support the daily operations of the bus and rail systems. They are used by maintenance departments to respond to accidents or incidents with buses and rail cars that occur on both surface streets and rail lines. The non-revenue vehicles also support construction and maintenance activities at bus and rail operating facilities.

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Low sulfur diesel fuel is required for these vehicles until support vehicles can be replaced with either compressed natural gas or zero emission vehicles. Alternative fuel and zero emission medium and heavy-duty vehicles only recently became available for fleet operations. Metro is procuring compressed natural gas tow trucks and vault trucks to support bus maintenance and revenue collection activities. Metro will begin receiving these heavy-duty compressed natural gas trucks by the end of 2023.

Metro is committed to pursuing sustainable practices in bus and rail operations. The purchase of renewable diesel fuel supports this goal since low sulfur and renewable diesel fuel have lower emissions than standard diesel fuel. Metro currently operates seventy-seven non-revenue medium and heavy duty vehicles that use diesel fuel due to their duty cycles, including heavy-duty torque requirements for hauling and towing and fuel type restrictions for maintenance operations in rail tunnels. Metro will continue to require diesel fuel to operate these medium and heavy-duty vehicles until alternative fuel and/or zero emission vehicles are available to replace the diesel vehicles in the coming years. Based upon current trends, it is expected that conversion of medium and heavy duty vehicles to zero emission vehicles can be accomplished by 2035.

## **DISCUSSION**

The award of this contract to AAA Oil, Inc. DBA California Fuels, and Lubricants will allow procurement of approximately 796,000 gallons of diesel fuel over a four-year period at prevailing Oil Price Information Service (OPIS) pricing. OPIS is a widely accepted fuel price index published daily to reflect current market prices in the Los Angeles area for petroleum products. OPIS is a private, independent company with no stake in fuel transactions and is not funded by the oil industry.

The use of an Indefinite Delivery/Indefinite Quantity Contract provides Metro with fuel on an as-needed basis at prevailing OPIS pricing with the application of state and federal taxes and fees associated with diesel fuel. The procurement projections in the bid documents are estimates only, and Metro has no obligation or commitment to order any or all of the diesel fuel estimated in the bid documents.

Metro is actively working towards transitioning the non-revenue fleet from standard diesel fuel to renewable diesel and alternative fuels to reduce its carbon footprint significantly. The use of ultra-low sulfur diesel, renewable diesel, and alternative fuel non-revenue vehicles will reduce greenhouse gas emissions while simultaneously promoting an environmentally responsible approach for operations.

Metro is also in the process of converting revenue and non-revenue fleets to zero emission vehicles. As zero emission medium and heavy-duty non-revenue vehicles become more readily available and the charging infrastructure is developed to support a zero emissions fleet, Metro will continue replacing diesel vehicles with zero-emission non-revenue vehicles. Based upon current trends, it is expected that conversion of the medium and heavy-duty vehicles to zero emission vehicles can be accomplished by 2035. Currently, ten compressed natural gas heavy-duty non-revenue vehicles and fifty-eight zero emission light-duty non-revenue vehicles are in procurement, along with ongoing procurements for zero emission electric buses. Hybrid and zero-emission non-revenue vehicles currently account for 40% of the total non-revenue vehicle fleet.

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## **DETERMINATION OF SAFETY IMPACT**

The award of this contract will ensure that all operating divisions have an adequate supply of diesel fuel for the non-revenue vehicles used to support the bus, rail, facilities, and support departments focused on providing safe, clean, and reliable transportation services for Metro customers.

## **FINANCIAL IMPACT**

Funding in the amount of \$830,864.89 is included in the FY24 budget in account 50405 Fuel Non-Rev. Equipment under multiple bus and rail cost centers. Since this is a multi-year Contract, the cost center managers and Chief Operations Officer will be responsible for budgeting the cost in future years.

### **Impact to Budget**

The current source of funds for this action includes Fares, Proposition A/C, Measure R/M, and Transportation Development Act. The proposed source of funding are operating eligible funds.

## **EQUITY PLATFORM**

The benefits of this action are to ensure non-revenue vehicles have adequate fueling capacity to support the bus and rail fleet operations that serve Los Angeles County residents and disproportionately serve marginalized and vulnerable transit riders. The contract for diesel fuel used in non-revenue support vehicles helps to ensure clean, dependable, and safe bus and rail fleet services.

The Diversity and Economic Opportunity Department (DEOD) did not establish a DBE goal for this contract due to a lack of subcontracting opportunities.

## **IMPLEMENTATION OF STRATEGIC PLAN GOALS**

The contract for diesel fuel supports Strategic Goal 2.3: Metro will support a customer-centric culture where exceptional experiences are created at every opportunity for internal and external customers. Diesel fuel is required for support vehicles used by Bus & Rail Operations, Facilities Maintenance, Rail Maintenance of Way, and other departments to support the various operations throughout the Metro transit system. These departments are focused on providing clean, safe, and reliable transportation services for all Metro customers.

## **ALTERNATIVES CONSIDERED**

The alternative is not to award the contract. This approach is not recommended due to the operational necessity of the support vehicles that make up the non-revenue fleet that rely on diesel fuel and must be kept in service to meet the agency's Operational support requirements and demands.

## **NEXT STEPS**

Upon approval, staff will award Contract No. FY98248000 to AAA Oil, Inc. DBA California Fuels and

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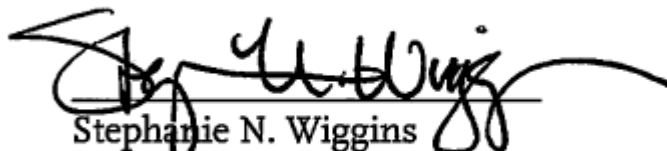
Lubricants to supply ultra-low sulfur diesel fuel and renewable diesel fuel for Metro's non-revenue fleet starting July 1, 2023.

**ATTACHMENTS**

Attachment A - Procurement Summary  
Attachment B - DEOD Summary

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