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<b>TO:</b>	<b>CHAIR AND MEMBERS CIVIC WORKS COMMITTEE MEETING ON OCTOBER 6, 2014</b>
<b>FROM:</b>	<b>JOHN BRAAM MANAGING DIRECTOR - ENVIRONMENTAL &amp; ENGINEERING SERVICES &amp; CITY ENGINEER</b>
<b>SUBJECT:</b>	<b>SINGLE SOURCE PROCUREMENT SUPPLY &amp; INSTALLATION OF DIESEL EXHAUST FLUID (DEF) STORAGE KIOSKS AND DISPENSERS</b>

<b>RECOMMENDATION</b>
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That on the recommendation of the Managing Director – Environmental & Engineering Services & City Engineer, that the following actions be taken:

- a) Recommendation **BE ACCEPTED** to engage in a single source contract as per the Procurement of Goods and Services Policy Section 14.4 (d) and e) to MSM group - Middlesex Supply and Maintenance, 331 Neptune Crescent London, ON N6M 1A9 their quoted price of \$76,681.00 HST extra;
- b) That the approved funding for this purchase **BE RELEASED** as set out in the Source of Finance Report attached hereto as Appendix "A";
- c) Civic Administration **BE AUTHORIZED** to undertake all the administrative acts that are necessary in connection with this purchase; and
- d) Approval hereby given **BE CONDITIONAL** upon the Corporation entering into a formal contract or having a purchase order, or contract record relating to the subject matter of this approval.

<b>PREVIOUS REPORTS PERTINENT TO THIS MATTER</b>
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- None.

<b>BACKGROUND</b>
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**Purpose**

This report seeks approval to single source the supply and installation of Diesel Exhaust Fluid (DEF) storage kiosks and dispensing equipment at two of our Municipal Operational Work Centres. The scope of work primarily consists of supply and installation of the heated storage enclosures for the DEF totes and the dispensing units for decanting and recording the DEF liquid dispensed into vehicles. Importantly, the services also include integration of the DEF refuelling information into our existing fuel card lock system (Petro-vend), and management of the applicable permits and regulatory inspection requirements related to this project.

**Discussion**

This purchase and installation of permanent Diesel Exhaust Fluid (DEF) dispensing equipment is the result of continued efforts to reduce harmful pollutants from entering the air that are created from diesel powered equipment. Regulatory changes demand that diesel engine manufacturers meet stringent vehicle emission protocols. Diesel Exhaust Fluid (DEF) systems help meet that standard by lowering NOx concentrations in diesel exhaust emissions. DEF Technology has grown to the point that it has become the standard in most designs of diesel engines in order to increase combustion and lower the amount of unburnt fuel entering the air.

Diesel Exhaust Fluid (from a separate DEF tank) is injected into the exhaust pipeline, the aqueous urea vaporizes, which chemically reduces the NO<sub>x</sub> into water and nitrogen that are both relatively harmless to air quality.

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**Purchasing Process**

Middlesex Supply and Maintenance (MSM group) has provided a quotation to supply, install, and integrate the Diesel Exhaust Fluid (DEF) systems in the amount of \$76,681.00 (taxes extra). The integration to the existing Petro-vend system is critical and requires manufacturer authorized personnel and the assurance of limited service interruption during transition and start-up.

MSM Group is the best suited company to complete this project as they are an authorized representative of Petro-vend systems which is our main refuelling system that this new equipment will be integrated with. In addition they have experience, familiarity, and expertise with our refuelling equipment and infrastructure as our long standing and current maintenance and service vendor for all of the municipal fuel system, mechanical maintenance services and troubleshooting. MSM also provides this service to London Police, London Hydro and London Transit.

Switching to another vendor for this project is not practical based on the limited suppliers qualified to undertake this work and more importantly the interoperability and integration that will be required as part of bolting this system onto our existing refuelling infrastructure systems. MSM will have the added accountability to ensure this install is seamless and trouble free as they are responsible for any repairs, warranty, service and support that could be required to keep all refuelling systems operational, before, during and after this project

In terms of the DEF equipment, similar units have been installed at London Hydro and London Transit by MSM. Our fleet partners have been satisfied with all aspects of their DEF installations including service, price, quality and integration at their sites.

There will be increased risk and no significant cost benefit to the Corporation to solicit competitive quotations for this project This quotation offers the best value to the Corporation to exercise the single source provisions of the Procurement of Goods and Services Policy section 14.4 (d) and.(e):

*14.4(d). "There is a need for compatibility with goods and/or services previously acquired or the required goods and/or services will be additional to similar goods and/or services being supplied under an existing contract (i.e. contract extension or renewal)"; and*

*14.4(e) "the required goods and/or services to be supplied by a particular supplier(s) having special knowledge, skills, expertise, or experience".*

**Financial Impact**

Fleet Services has an approved 2014 capital budget for this project namely ME1206 - Fuel System Upgrades. This report is solely to request approval of the single source procurement recommendation.

In addition, once the (DEF) bulk storage and dispensing equipment is installed and operational, there will be a modest reduction in operating expense and improved efficiency associated with eliminating the manual dispensing, inventory and storage processes currently in place.

Source of financing is attached.

<b>CONCLUSION</b>
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**Conclusion**

Fleet Services is recommending that the City be approved to enter into a single source procurement of goods and services with Middlesex Supply and Maintenance (MSM group) for the supply and installation of Diesel Exhaust Fluid (DEF) storage kiosks and dispensing equipment at two of our Municipal Operational Work Centres.

This project has approved capital funding and exercising the provisions of single source procurement provides the City with the most efficient and effective solution for this important environmentally driven initiative.

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**Acknowledgements**

This report was prepared by Mike Bushby, Division Manager Fleet Services, in conjunction with Barrie Galloway, Manager Fleet Maintenance, Steve Mollon, Procurement Specialist, and Michael Knowler, Facilities Technologist II

<b>SUBMITTED BY:</b>	<b>CONCURRED BY:</b>
<b>MIKE BUSHBY, DIVISION MANAGER FLEET &amp; OPERATIONAL SERVICES</b>	<b>MIKE TURNER DEPUTY CITY TREASURER, FINANCE AND CORPORATE SERVICES</b>
<b>RECOMMENDED BY:</b>	<b>CONCURRED BY:</b>
<b>JOHN BRAAM, MANAGING DIRECTOR, ENVIRONMENTAL AND ENGINEERING SERVICES AND CITY ENGINEER</b>	<b>JAY STANFORD, DIRECTOR ENVIRONMENT, FLEET &amp; SOLID WASTE</b>

Appendix "A" – Source of Financing

cc:     John Freeman, Steve Mollon