

Getting Better Bid Results

Vendors responding to bids set pricing based on their own costs of operation and on the risk involved in making the requested deliveries. Governments can achieve better results by providing accurate and up-to-date information about delivery and pricing requirements in petroleum bid specifications. Vendors will have less risk and can therefore offer better pricing. To achieve the best possible results for your agency, some key information to provide in your bid specifications is listed here:

General Delivery Information

What are the tank sizes and delivery addresses of each?

Are the tanks underground or aboveground?

Is a pump required to make the delivery?

Are any special fittings required to make deliveries?

Delivery Requirements

Are deliveries required to be metered?

Metered deliveries are more expensive to make. The way to avoid this cost is by ordering in quantities of 7500 gallons for diesel or 8700 gallons of gasoline, and using the terminal bill of lading to verify the gallons.

If the tank is underground and metered delivery is required, are gravity meters required on the truck?

Using a pump instead of gravity to drop product into an underground tank may cause the tank to become pressurized and rupture, so using a gravity meter would be needed, which adds to your costs.

Expected Frequency of Orders

Is the site is committed to buying off the contract or is it just optional?

If it is optional, specify if the site has purchased off the contract in the previous year.

Are deliveries to be made on a will-call or automatic basis?

If there are a lot of small tanks, automatic delivery is usually cheaper.

For will-call deliveries, will orders be made when tank is at 1/4 capacity? If not, what is the ordering point?

Pricing and Performance Requirements

What posting are you using as your base price?

Specify a publication that is widely utilized in the industry so that vendors know the price history for that posting. The most common publication is the Oil Price Information Service's (OPIS) Oil Price Daily (OPD) posting.

Do you require performance bonds?

If so, the amount should be no more than the actual risk of the contract. Since the base price will be the same regardless of the vendor, you should limit the size of the bond to the gallons times the vendor's markup.

Will you accept firm price bids?

Firm price bids will receive the most competitive pricing if your gallons are committed in lots of 42,000 gallons per month. If, for instance, you use 600,000 gallons of gasoline, a bid that locks in a price for 42,000 gallons per month for 12 months carries less price risk to the vendor and provides you with price certainty.

Winterization and Emergency Generators

Do you need "winterized" diesel?

Do not specify kerosene as the means of winterizing diesel. Winterization should be done with a chemical additive as it is fraction of the cost.

Do you have emergency generators?

Generators are expensive for vendors to supply as they rarely require many gallons. Keep this in mind when you group your tanks together. Diesel powered emergency generators should only specify "winterized" diesel, as you may deliver in August but turn the generator on in January.