



Employing Alternatives Case Study

A variety of fuel purchasing practices are meeting fleet needs

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Greatly impacted by changing economic conditions, the price of fuel is one measure that fleet managers take regularly. Effective fuel purchasing and usage management programs are a main element in successfully keeping fuel and fueling costs in check.

“It’s important to consider all the costs, to determine the fully burdened cost of fuel per gallon,” states Dave Meisel, Director of Transportation Services at Pacific Gas and Electric Company. “There are many costs that aren’t always reflected in the price of fuel. Whether you’re looking at a fueling infrastructure investment or a retail purchasing program, it’s essential to determine the actual cost of managing each delivered gallon.”

Meisel identifies some of the hard and soft fuel cost components he uses to determine best practices for the PG&E fleet. In addition to the cost of the product, for example, are expenses associated with fueling facilities, such as inspections, testing and monitoring, maintenance, administrative labor and other fees. For retail programs, costs to consider include management expenses.

Before making a decision about fueling practices, Meisel advocates employing a process of ranking best and worst options based on several factors. On his list are availability of fuels required by the fleet and the number of trucks and equipment at each fueling location. Also considered are environmental risk concerns based on

the type of fueling system, the cost per gallon as a percentage over the local retail price, and the estimated number of gallons of each fuel needed.

For the following three fleets, representing state, county and municipal government operations, the process of purchasing and managing fuel is a science. The practices these operations are employing on behalf of their clients and citizens are leading to success in meeting the challenges of fluctuating fuel prices.

Finding Value In Mobile and In-House Fueling at the City of Orlando

“We have found numerous advantages to the two fuel purchasing and fueling practices we use for the City of Orlando fleet,” says Phillip Edwards, Materials Management Manager, Purchasing and Materials Management Division. “These programs address our needs for fuel readiness, emergency supplies, minimizing downtime for vehicles, and reducing labor costs and increasing productivity of our personnel.”

Located throughout the City of Orlando are over 1,800 units ranging from small equipment to cars, light- and medium-duty trucks to large and specialty units such as fire, garbage and SWAT vehicles. Multiple fueling locations and different practices work best for the operation so the city currently purchases fuel utilizing two contracts, one for an overnight mobile delivery service and another for bulk fuel used in fixed storage tanks.

“Mobile, overnight fueling of our daily service vehicles means less downtime and reduced labor costs,” Edwards relates. “Overnight fueling services are supplied at six City of Orlando locations by On-Site Fuel Service, Inc. for most daily use vehicles, garbage trucks, street sweepers, facilities maintenance units and vehicles at parks and sign shops.”

On-Site, which services more than 700 accounts in 12 states providing fuel services to an estimated 11,000 vehicles per day, utilizes mobile fueling trucks. Its drivers are equipped with handheld computers to scan bar codes on customer vehicles allowing for accurate and efficient tracking by vehicle. Customers such as the City of Orlando are able to log onto the company's computer system and generate reports.

“Our bulk fuel contract covers 45 fixed fuel storage tanks,” Edwards also explains. “These facilities are located at fire stations, waste water plants, the city's main vehicle depots and where we have back-up generators. First responders, such as fire and police departments, need 24-hour fuel services, as do many of our departmental vehicles used for daily city business. The bulk storage tanks are accessible to all fleet vehicles and provide the city departments with quick and convenient fueling locations.

“We have incorporated two fuel management software programs into our operation,” Edwards continues. “FASTER, a program developed by CCG Systems, is the interface to our financial program and the fleet system for work orders, parts and vehicle replacement programs. Additionally, we have a program developed by TRAK Engineering, which is used to capture individual vehicle fuel transaction data including vehicle and user ID numbers, fuel quantity, time and date, location and fuel type.”

The TRAK units, which are also used to check vehicle mileage, are located at each of the City of Orlando's fueling locations. The system uses touch screen controllers, which require a data key to be inserted that identifies the vehicle and verifies the mileage and employee number the user enters.

"All of these transactions are recorded and uploaded to our servers overnight," Edwards reports. "That information enables us to validate the fuel received from vendors and dispensed to individual department vehicles. Managing data, along with working with our suppliers to learn about fuel price and availability trends, is how we measure the effectiveness of our fueling and fuel purchasing programs, and ensure we are providing this service effectively and cost efficiently."

The City of Orlando, Florida, one of the fastest growing cities in the U.S. covers over 110 square miles. City residents number more than 267,000 while upwards of 2 million people make the Orlando metropolitan area their home.

Pricing Strategies are Paying Off in Orange County

“Based on our research,” says Bryan Lucas, Business Unit Financial Advisor, Orange County Fleet Management, “a combination of contracts with fuel distributors and having our fuel prices set weekly are proving to be the best fuel purchasing practices for our fleet. Over time, they have resulted in the least expensive and most efficient way to purchase fuel compared to local retail prices and the purchasing practices in other Florida municipalities.”

Orange County operates 13 automated fuel sites for its fleet of approximately 1,930 vehicles and 1,800 pieces of equipment. Each site is equipped with an automated E.J. Ward card reader system. Collectively, the sites dispensed about 2.6 million gallons of unleaded, biodiesel and E85 during the last fiscal year (ending 9/30/09).

“The card system, which requires accurate odometer readings before it will dispense fuel, supplies fuel use data to our fleet management database,” Lucas notes. “Those capabilities, and suppliers that help us by making sure we have the supply and types of fuels required to meet our needs, enable us to fuel vehicles and equipment cost effectively.”

Orange County, one of seven counties in the central Florida region, comprises over 900 square miles and is home to more than 1 million people.

Managing Effectively with Fuel Cards in Arizona

“We have 56 fueling locations that are supplied through bulk purchasing contracts,” says Ruth Kish of the Arizona Department of Transportation (ADOT) Fuel Systems and Scales Management operation. “At the same time, we use the Voyager Fleet Card for vehicles that are located in remote areas and for emergency situations. In addition, other state agencies use the cards when they fuel vehicles at our facilities.”

With over 3,000 vehicles in the ADOT fleet, and other agencies using its fueling locations, the Voyager Fleet card program makes it significantly easier to manage fuel use and purchasing. “The cards are in use statewide,” Kish relates. “All state agencies and a number of counties and municipalities have used the cards under a state contract since 1998.”

The Voyager Fleet Card is accepted at over 230,000 fuel and maintenance locations across the U.S. With a single account, the Fleet Card can be assigned to individual drivers, vehicles or entire organizations. Clients can also use the Fleet Commander Online portal to access, update, track and manage fleet fueling accounts.

All other Arizona state agencies that use the Voyager cards at our fueling locations have a unique account number. That more easily lets ADOT bill those agencies for fuel, which it offers generally at lower prices than retail locations.

The Voyager system is very flexible. Within the same account, Voyager Fleet Cards can be assigned to drivers and/or vehicles and feature a unique identification number. Agencies can also set or limit purchasing options based on products, costs or number of transactions. Vehicle, Driver and Exception reports based on miles per gallon variances, pattern discrepancies, and product specifications for fuel purchase volumes are also available.

“At ADOT we track our own transactions internally but in some locations the cards are used for 100 percent of the fuel purchases,” Kish explains. “We assign a card to every vehicle regardless of whether it’s used regularly or at all so our personnel always have access to fuel.

“The Voyager system also integrates with our fuel site and management software,” Kish adds. “The combination works well for us. It improves our management productivity and helps us achieve our goal of maximizing available resources to provide essential services to our customers.”

The Arizona Department of Transportation (ADOT) is a multi-modal transportation agency serving one of the fastest growing areas of the U.S. Among other duties, ADOT is responsible for planning, building, operating and maintaining a complex system of highways and bridges that form the basis of a safe, efficient, cost-effective transportation system.

MEETING NEEDS

Fleet fuel purchasing programs employ alternatives that are most effective for each particular operation. Why each practice is the right choice for each fleet is determined by evaluating various factors before making a decision and by continually measuring and validating a program's effectiveness.

Effective fuel purchasing and dispensing practices also utilize systems that manage fuel usage. Last but not least, fleets rely on suppliers to help make choices about fuel purchasing practices that best meet fleet needs-- and help keep costs as low as possible.