



City of Grand Island

Tuesday, May 10, 2016

Council Session

Item G-13

**#2016-114 - Approving Coal Contract for 2017 for the Platte
Generating Station with Arch Coal Sales, Coal Creek Mine**

Staff Contact: Tim Luchsinger, Stacy Nonhof

Council Agenda Memo

From: Timothy Luchsinger, Utilities Director
Stacy Nonhof, Assistant City Attorney

Meeting: May 10, 2016

Subject: 2017 Coal Purchase

Presenter(s): Timothy Luchsinger, Utilities Director

Background

On June 12, 2012, per Resolution 2012-143, the City of Grand Island entered into an agreement with Western Fuels Association for soliciting the purchase of coal for the Platte Generating Station. The agreement provides for Western Fuels to obtain pricing of coal for the Platte Generating Station as part of their larger coal solicitations for their members. Western Fuels recently went out for bids that included the purchase of 150,000 to 400,000 tons of coal that is needed for 2017 for the Platte Generating Station.

Discussion

Bids were evaluated on heat content of the bid coal, total delivered price including freight cost, and value of the sulfur content of the bid coal:

Heat Content – the heat content of Powder River Basin coals can vary as much as 15%.

Freight Costs – are included in the evaluation to determine a total delivered cost at Platte Generating Station.

Sulfur Content – In order to operate a coal fired power plant, environmental regulation requires a plant to hold “Emissions Allowances” for regulated sulfur emissions. The allowances are regularly bought and sold by utilities as economic conditions warrant. EPA administers the markets. The price of sulfur allowances for use of each bid coal is a factor in the evaluation. The sulfur content determines the amount of lime that must be used by plant emission control systems to remove sulfur dioxide from the boiler exit gas. The cost of the lime is also a factor in the evaluation.

Western Fuels has provided the separately attached confidential analysis of the bids received. The Utilities Department concurs with the Western Fuels Association recommendation that the 2017 Coal Supply Contract of 150,000 to 400,000 tons be awarded to the low compliant bidder, Arch Coal Sales, Coal Creek Mine.

Alternatives

It appears that the Council has the following alternatives concerning the issue at hand. The Council may:

1. Move to approve
2. Refer the issue to a Committee
3. Postpone the issue to future date
4. Take no action on the issue

Recommendation

City Administration recommends that the Council approve the Coal Supply Contract for 140,000 to 400,000 tons for 2017 with Arch Coal Sales, Coal Creek Mine.

Sample Motion

Move to approve the Coal Supply Contract for 140,000 to 400,000 tons for year 2017 with Arch Coal Sales, Coal Creek Mine.

RESOLUTION 2016-114

WHEREAS, the City Electric Department through Western Fuels Association, solicited bids for 150,000 to 400,000 tons of coal for the 2017 Coal Supply for the Utilities Department, according to the contract specifications; and

WHEREAS, it was stipulated that bid prices and/or final award prices would not be publicly disclosed; and

WHEREAS, Western Fuels Association reviewed and evaluated the bids for compliance with the specifications and for delivered cost; and

WHEREAS, Arch Coal Sales from the Coal Creek Mine, submitted a bid in accordance with the terms of the advertisement of bids and the contract specifications and all other statutory requirements contained therein.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the bid of Arch Coal Sales for 150,000 to 400,000 tons for the 2017 Coal Supply to Platte Generating Station from the Coal Creek Mine, is approved as the lowest responsive bid submitted.

BE IT FURTHER RESOLVED, that the Mayor is hereby authorized and directed to execute such contract on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, May 10, 2016.

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
May 6, 2016	☐ City Attorney