



City of Grand Island

Tuesday, January 9, 2018

Council Session

Item G-10

**#2018-9 - Approving Emergency Procurement of Fuel Oil for
Burdick Station**

Staff Contact: Tim Luchsinger, Jerry Janulewicz

Council Agenda Memo

From: Timothy G. Luchsinger, Utilities Director
Jerome Janulewicz, City Attorney

Meeting: January 9, 2018

Subject: Emergency Procurement of Fuel Oil for Burdick Station

Presenter(s): Timothy G. Luchsinger, Utilities Director

Background

Along with the coal-fueled Platte Generating Station and our shares of the coal units at Nebraska City 2 and Whelan 2, Grand Island Utilities Department (GIUD) operates the units at Burdick Station to support our local and regional power commitments. Burdick utilizes natural gas as the primary fuel source, with fuel oil as a backup source in the event of natural gas either being not attainable or cost prohibitive. Recently, the plant fuel oil storage tanks underwent an extensive inspection due to regulatory requirements and the Burdick oil was transferred to Platte Generating Station (PGS) for use at that plant. Plant staff has since been receiving oil, but had been planning to restore normal fuel inventories over time.

Normally natural gas prices are about \$3.00 to \$3.50 per unit, with prices going at about \$4.00 this last week due to colder weather conditions across the country. We received notice from our gas supplier yesterday that gas prices will be \$100.00 through the New Year's weekend and at about \$80.00 afterwards due to record cold forecasts.

Gas pricing reflects supply and demand as well as transportation conditions, therefore, extremely high and volatile prices like this are a possible sign of serious issues or limitations of the gas supply system. We were also advised by the regional power dispatcher of a heightened operational notice due to concerns of forecast load demands and possible energy delivery constraints such as natural gas supplies, meaning all of our available units were likely to be called on for generation during the weekend.

A similar situation occurred in 2014 during a "polar vortex" which resulted in power blackouts in some parts of the country due to insufficient generation. Gas prices at that time were around \$70.00, resulting in power costs of over \$1,000.00, compared to normal power prices of \$25.00 to \$30.00. We are also reminded of the ice storm in 2007, in which we lost PGS and most of our connecting transmission system, and Burdick kept Grand Island in power while the surrounding area was black.

City Procurement Code requires that purchases over \$40,000.00 for the electric utility fuel purchases be formally advertised for bid, and a contract be approved by Council. The Procurement Code also allows Council to issue a declaration of emergency and authorize emergency procurement based on the most competitive method that the situation allows.

Discussion

It was determined that it was imperative that fuel oil be available for use at Burdick for the New Year's weekend, therefore, plant staff was directed to immediately restore the Burdick fuel oil inventory to the necessary levels. The cost of this was \$141,776.19 for 61,911 gallons of fuel oil from Sapp Brothers, with pricing obtained by competitive quotes from local suppliers under the provisions of city code section 27-13, Emergency Procurements, in order to protect the welfare of the public by supporting area power requirements and minimizing financial impact.

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 authorize the Emergency Procurement of Fuel Oil for Burdick Station for \$141,776.19 from Sapp Brothers, Grand Island, Nebraska.

Sample Motion

Move to approve authorize the Emergency Procurement of Fuel Oil for Burdick Station for \$141,776.19 from Sapp Brothers, Grand Island, Nebraska.

RESOLUTION 2018-9

WHEREAS, the Burdick Station utilizes natural gas as a primary generation fuel and fuel oil as a backup generation fuel; and

WHEREAS, recent fuel oil tank inspections resulted in low fuel oil inventories; and

WHEREAS, current cold weather conditions have caused a dramatic increase in natural gas prices that could impact the power supply system.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that an emergency procurement for Burdick Station of \$141,776.19 for 61,911 gallons of fuel oil from Sapp Brothers of Grand Island, Nebraska, be authorized to protect the welfare of the public by supporting area power requirements and minimizing financial impact.

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Adopted by the City Council of the City of Grand Island, Nebraska, January 9, 2018.

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
January 5, 2018	☐ City Attorney