



City of Grand Island

Tuesday, March 9, 2021

Council Session

Item G-5

#2021-44 - Approving Emergency Procurement of Generator Fuel Oil

Staff Contact: Tim Luchsinger, Stacy Nonhof

Council Agenda Memo

From: Timothy G. Luchsinger, Utilities Director
Stacy Nonhof, Interim City Attorney

Meeting: March 9, 2021

Subject: Emergency Procurement of Generator 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.

Natural gas prices are normally about \$2.00 to \$2.50 per unit, however, prices were at \$250.00 during several days in February due to colder weather conditions across the country. Gas pricing reflects supply and demand as well as transportation conditions, therefore, extremely high and volatile prices like this are a sign of serious issues or limitations of the gas supply system.

Grand Island Utilities was 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 beginning February 14. This emergency situation continued until February 18, 2021, during which time we operated the Burdick units on diesel fuel because of the extreme pricing of natural gas and used approximately 325,000 gallons of fuel oil. The fuel oil inventory is critical to ensuring generation capability during emergency situations and fuel oil deliveries ordered during this time allowed the units to remain online and eventually restore fuel oil inventories.

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 week of February 14, 2021, therefore, plant staff was directed to immediately restore the Burdick fuel oil inventory to the necessary levels. The cost to date is as follows, 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.

<u>Supplier</u>	<u>Gallons</u>	<u>Price</u>
Bosselman Energy	88,908	\$212,983.13
Sapp Bros.	136,998	\$332,539.06
Aurora Co-op	23,130	\$ 56,806.95

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 Generator Fuel Oil for Burdick Station for \$212,983.13 from Bosselman Energy, \$332,539.06 from Sapp Bros., and \$56,806.95 from Aurora Co-op.

Sample Motion

Move to approve authorize the Emergency Procurement of Generator Fuel Oil for Burdick Station for \$212,983.13 from Bosselman Energy, \$332,539.06 from Sapp Bros., and \$56,806.95 from Aurora Co-op.

RESOLUTION 2021-44

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

WHEREAS, recent weather conditions throughout the country caused a dramatic increase in natural gas prices and regional electric system demand and resulted the use of diesel fuel oil at Burdick Station for an extended time and low fuel oil inventories.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that an emergency procurement of Generator Fuel Oil for Burdick Station of \$212,983.13 from Bosselman Energy (88,908 gallons), \$332,539.06 from Sapp Bros. (136,998 gallons), and \$56,806.95 from Aurora Co-op (23,130 gallons) 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, March 9, 2021.

Roger G. Steele, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☒ _____
March 5, 2021	☒ City Attorney