



City of Grand Island

Tuesday, September 24, 2013

Council Session

Item I-4

#2013-327 - Consideration of Approving Agreement for Natural Gas Supply to Burdick Station

Staff Contact: Tim Luchsinger, Stacy Nonhof

Council Agenda Memo

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

Meeting: September 24, 2013

Subject: Agreement for Natural Gas Supply to Burdick Station

Item #'s: I-4

Presenter(s): Timothy Luchsinger, Utilities Director

Background

The Utilities Department has traditionally solicited bids for natural gas for fuel for the six generating units at the Burdick Station. Since the early 1990s, the solicited bids were for a two year term based on the ability for the Department to schedule electric generation on a next day basis for either the City's native load or for planned energy sales to other utilities, and nominate the appropriate natural gas as required.

Beginning in 2014, the Department will be required to dispatch all of its generating units as determined by the regional electric system operator, Southwest Power Pool (SPP). SPP will require generating utilities to submit daily firm electric generation costs for all units based on projected fuel and operating costs. This process is relatively simple for base load units using coal as those fuel prices are stable, however, natural gas pricing is very dynamic and can change on an hourly basis, and the schedule dictated by SPP is not the same as that used by the established natural gas pricing indices.

The electric generation costs to be determined by utilities will need to include multi-day bilateral sales between two utilities, day-ahead energy dispatches to SPP, and real-time energy requirements by SPP, all of which will require several daily discussions between the Department's dispatch staff, our SPP power marketing consultant, Tenaska Power Services (TPS), and the natural gas supplier to determine projected natural gas costs and establish margins that maximize sales, while avoiding exposure to any loss because of unexpected costs.

As the Department is entering a new operating environment, a Request for Proposal was drafted to solicit a natural gas supplier that could provide a consulting relationship with the Department and TPS in determining the power costs for the Burdick Station units, as well as provide natural gas, including transportation and pipeline transaction accounting functions.

Discussion

The Request for Proposal for Natural Gas Supply Services was issued in accordance with City procurement procedures and the proposals were received from the following:

Seminole Energy, Denver, CO
Tenaska Marketing Ventures, Omaha, NE

Seminole Energy has been the natural gas provider to the Department for the last four years. Tenaska Marketing Ventures manages gas transport operations for customers and is a separate business entity from our SPP marketing consultant, Tenaska Power Services, which is based in Fort Worth, Texas, and provides electric utility system management services.

Department management staff reviewed the proposals and, based on the specified evaluation factors, recommend the agreement proposed by Tenaska Marketing Ventures for Natural Gas Supply Services be accepted. This agreement is for a nominal two year term, with provisions for an optional annual extension, or cancellation by either party. It includes a monthly management fee and standard industry terms for gas pricing. These agreements are confidential because of the competitive environment of the natural gas business. The Tenaska proposed agreements are furnished to Council under separate cover.

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 execution of the Tenaska Natural Gas Supply Agreement, NAESB Base Contract, and Special Provisions for providing Natural Gas Supply Services.

Sample Motion

Move to authorize execution of the Tenaska Natural Gas Supply Agreement, NAESB Base Contract, and Special Provisions for providing Natural Gas Supply Services.



Stacy Nonhof, Purchasing Agent

*Working Together for a
Better Tomorrow, Today*

**REQUEST FOR PROPOSAL
FOR
NATURAL GAS SUPPLY SERVICES**

RFP DUE DATE: September 12, 2013 at 4:00 p.m.

DEPARTMENT: Utilities

PUBLICATION DATE: August 30, 2013

NO. POTENTIAL BIDDERS: 3

SUMMARY OF PROPOSALS RECEIVED

Seminole Energy Services
Holdrege, NE

Tenaska Marketing Ventures
Omaha, NE

cc: Tim Luchsinger, Utilities Director
Mary Lou Brown, City Administrator
Stacy Nonhof, Purchasing Agent

Bob Smith, Assist. Utilities Director
Jaye Monter, Finance Director
Pat Gericke, Utilities Admin. Assist.

P1672

RESOLUTION 2013-327

WHEREAS, the City of Grand Island invited a Request for Proposal for Natural Gas Supply to Burdick Station Power Plant, according to plans and specifications on file with the Utilities Department; and

WHEREAS, on September 12, 2013, proposals were received, opened and reviewed; and

WHEREAS, it was stipulated that prices would not be publicly disclosed; and

WHEREAS, Tenaska Marketing Ventures of Omaha, Nebraska submitted a proposal in accordance with the terms and requirements contained therein.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that an agreement between the City and Tenaska Marketing Ventures of Omaha, Nebraska, for the Natural Gas Supply Agreement is hereby approved, and the Mayor is hereby authorized and directed to execute the 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, September 24, 2013.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
September 20, 2013	☐ City Attorney