



# City of Grand Island

Tuesday, February 25, 2014

Council Session

## Item I-2

**#2014-38 - Consideration of Approving Coal Supply for Platte  
Generating Station - 87,000 Tons for 2014 and 335,000 Tons for  
2015**

Staff Contact: Tim Luchsinger, Stacy Nonhof

# Council Agenda Memo

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

**Meeting Date:** February 25, 2014

**Subject:** 2014 - 2015 Coal Purchase

**Item #'s:** I-2

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

## Background

On June 12, 2012, City of Grand Island entered into an Agreement with Western Fuels Association for soliciting the purchase of coal for the Platte Generating Station. This 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 87,000 tons of coal that is needed for the remainder of 2014, and 335,000 tons for 2015 for PGS.

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.

## Discussion

Western Fuels has provided the separately attached confidential analysis of the bids received. The Department concurs with the Western Fuels Association recommendation

that the 2014-15 Coal Supply Contract of 87,000 tons for 2014 and 335,000 tons for year 2015 be awarded to the low compliant bidder, Cloud Peak Energy's Cordero Rojo 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 87,000 tons for 2014 and 335,000 tons for 2015 with Cloud Peak Energy's Cordero Rojo Mine.

### **Sample Motion**

Move to approve the Coal Supply Contract for 87,000 tons for 2014 and 335,000 tons for year 2015 with Cloud Peak Energy's Cordero Rojo Mine.

RESOLUTION 2014-38

WHEREAS, the City Electric Department through Western Fuels Association, invited bids for 87,000 tons of coal for the remainder of 2014, and the year 2015 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, Cloud Peak Energy from the Cordero Rojo Mine, submitted bids 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 Cloud Peak Energy, for 87,000 tons for the 2014 Coal Supply, and for 335,000 tons for the 2015 Coal Supply to Platte Generating Station from the Cordero Rojo 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, February 25, 2014.

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Jay Vavricek, Mayor

Attest:

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RaNae Edwards, City Clerk

Approved as to Form	☐ _____
February 21, 2014	☐ City Attorney