



City of Grand Island

Tuesday, November 18, 2008

Council Session

Item G11

**#2008-328 - Approving Contract for Natural Gas Supply to
Burdick Station**

Staff Contact: Gary R. Mader; Wesley Nespor

Council Agenda Memo

From: Gary R. Mader, Utilities Director
Wesley Nespor, Asst. City Attorney/Purchasing

Meeting: November 18, 2008

Subject: Award of Natural Gas Supply Contract between the City of Grand Island and Seminole Energy Services

Item #'s: G-11

Presenter(s): Gary R. Mader, Utilities Director

Background

The Burdick Station power plant generating units are fueled by either fuel oil or natural gas. The current natural gas supply contract for the Burdick Station Power Plant expires this Fall. Therefore, bids for continued service were solicited for supply through the 2009 summer season. The Burdick Station generators are most often used to meet summer peak electric demand, but can also be used other times of the year to meet emergency conditions. The term of this bid solicitation is through the summer, expiring on September 30, 2009, a ten month term.

Discussion

The specifications for Natural Gas Supply were advertised and published in accordance with the City Procurement Code and bid documents were sent to five potential bidders. The bids were publicly opened at 2:00 pm on November 12, 2008. Two bids were received as tabulated below.

Seminole Energy Services, Denver, CO
ONEOK Energy Marketing, Tulsa, OK

The Bids were evaluated for contract compliance and delivered cost at the Burdick Station Power Plant. Since the natural gas usage is for emergency and peaking needs, the actual amount of gas used under the contract is not known at the time of award. The contract includes provisions to provide primary firm transport availability through the contract term, with the gas commodity price determined at the time of use based on price indices as published daily in an industry publication, Gas Daily Price Guide. Bid evaluation is based on the previous twelve months of operating history.

Both bidders submitted bids compliant with the contract specifications. Utilities department staff conducted bid evaluations as described above. The lowest evaluated bid was received from Seminole Energy Services.

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 award the Natural Gas Supply Contract to Seminole Energy Services of Denver, CO.

Sample Motion

Move to approve to award the Natural Gas Supply Contract to Seminole Energy Services.

NOTICE TO BIDDERS

Bids will be received by the City of Grand Island, Utilities Department, at:
the Office of the City Clerk: 100 East 1st Street
Grand Island, NE 68801

or

P.O. Box 1968
Grand Island, NE 68802-1968

for the delivery of natural gas supply to the Burdick Power Station Power Plant until **2:00 p.m. local time, Wednesday, November 12, 2008**. Bids shall be submitted on the form attached hereto as "Attachment A" and shall include 6,000 MMBTU per day Guaranteed Primary Firm Transportation on 24 Hours Notice to the Burdick Power Station, Grand Island/KMIGT/Burdick Power Location 41000, for ten (10) months, commencing December 1, 2008, through September 30, 2009.

Bids received after the specified time will be returned unopened to sender. Bids shall include the following on the outside of the envelope: **"Natural Gas Supply Bid"**. All bids must be signed and dated in order to be accepted. Bids shall be addressed to the attention of RaNae Edwards, City Clerk. **THREE (3) SIGNED ORIGINALS shall be submitted for each bid.** Failure to submit the necessary qualifying information may result in your bid not being considered.

The price for Guaranteed Primary Firm Transportation shall be stated separately as a monthly demand charge to be paid in the month following the month stated.

The prices set forth in the bids submitted will be considered confidential by the City and shall not be disclosed to any third party without the advance written consent of the bidder (which consent shall not be unreasonably withheld), except where such disclosure may be required by law, or in connection with the assertion of a claim or defense in judicial or administrative proceedings, in which event the City shall advise

the bidder in advance in writing and shall cooperate to the extent practicable to minimize the disclosure of such information.

The commodity price for gas shall guarantee the availability and delivery of up to 6,000 MMBTU per day for each month of the ten (10) month term. Actual deliveries shall be based upon daily nominations made no later than 8:15 a.m. Central Time on the day prior to the day of delivery, and may be zero. The commodity price for gas shall be stated as a Daily Price Survey index or index average as reported in *Gas Daily*, a Pasha Publications, Inc. publication. Gas actually nominated and delivered shall be priced at the applicable index price corresponding to the gas flow day. Index priced gas delivered with a gas flow date of Saturday, Sunday, or Monday shall be priced at that Monday's published price. Any charge in addition to the set price or index price for commodity transportation or any other charge or fee shall be stated as either a flat rate adder or fuel percentage adder to the gas price.

Bids will be publicly opened at **2:00 p.m. (local time) on Wednesday, November 12, 2008**, in Conference Room #1, City Hall, 100 East Pine Street, Grand Island, Nebraska. **Bids received after said 2:00 p.m. CST will not be considered.** Bid prices based upon an index price will be evaluated upon the basis of a (12) twelve month average of the Daily Price Survey for the applicable index as published in *Gas Daily*. The successful bidder will be notified of selection on or before November 21, 2008. The successful bidder shall execute and return a Gas Sales Agreement Confirmation Order. The Confirmation Order shall be in the form attached hereto as "Attachment B."

Each bidder shall supply three references for natural gas supply service similar to that specified herein. Each reference shall include the name of a contact person familiar with natural gas purchases from the bidder, contact's phone number and a description of the service provided by bidder.

Each bidder shall supply documentation demonstrating the bidder's physical and financial capabilities to provide natural gas supply as stated herein. The City may require additional proof of a bidder's ability to meet the terms of this solicitation after the bid opening, during bid evaluation.

The City of Grand Island reserves the right to reject any or all bids, to waive irregularities, and to accept whichever bid may be in the best interests of the City, as it shall, in its sole discretion, determine.

I. Name of bidder: _____

II. 6,000 MMBTU/day Guaranteed Primary Firm Transportation on 24 Hours Notice:

2008

December _____

2009

January _____

February _____

March _____

April _____

May _____

June _____

July _____

August _____

September _____

Total Ten (10) Month Demand Charge: \$ _____

III. Natural gas commodity price:

2008 Indexed Price _____
Delivery area(s)¹ _____ Index² _____

[illegible]¹ Delivery area (or areas to be averaged), e.g.: CIG (N. syst), PEPL, NGPL (Midpoint), Williams

²Index to be applied, e.g.: Daily Midpoint, Absolute low, Absolute high, Common low, or Common high

IV. Natural gas price flat rate adder: \$_____per MMBTU

V. Natural gas fuel percentage adder: _____%.

VI. Bid prices guaranteed to November 20, 2008

Dated _____, 2008

Bidder

By _____
(Name) (Title)

Date: _____, 2008

This Confirmation Order is made a part of and is subject to all terms and conditions set forth in that Gas Sales Agreement dated _____, by and between _____, ("Seller") and City of Grand Island ("Buyer").

Terms:

- | | |
|--------------------|--|
| 1. Order Period: | December 1, 2008 to September 30, 2009 |
| 2. Quantity: | Up to 6,000 MMBTU per day |
| 3. Delivery Point: | KMI Meters 40354 and 40355 |
| 4. Price: | |

I. 6,000 MMBTU/day Guaranteed Primary Firm Transportation on 24 Hours Notice:

December 1, 2008 to September 30, 2009 total monthly charge \$ _____

Ten (10) Month Total Demand Charge \$ _____

The demand charge shall be paid monthly, regardless of actual natural gas purchases.

II. Natural gas commodity price:

The price for each MMBTU of gas sold and delivered each month hereunder, shall be found in *Gas Daily*, published by Pasha Publications, Inc., under the heading "_____ " under the publication date which corresponds to the flow date and shall be equal to the _____ of the "_____ " index prices for the following "Delivery in" designations: _____. Gas delivered with a flow date of Saturday or Sunday shall be priced using the price for the following Monday trade date. Buyer may order up to 6,000 MMBTU per day upon 24 hours advance notice and Seller guarantees the availability and delivery of same. Buyer is not required to purchase any gas.

III. Natural gas fuel percentage adder:

A fuel percentage adder of _____% shall be added to the natural gas commodity price as determined in paragraph II above.

IV. Natural gas flat rate adder:

A natural gas price flat rate adder of \$_____ per MMBTU shall be added to the natural gas commodity price after addition of the percentage adder in Paragraph III above.

City of Grand Island (Buyer)

By: _____ Date: _____

_____, (Seller) By: _____

Date: _____

Purchasing Division of Legal Department
INTEROFFICE MEMORANDUM



Wes Nespor, Purchasing Agent

*Working Together for a
Better Tomorrow, Today*

BID OPENING

BID OPENING DATE: November 12, 2008 at 2:00 p.m.

FOR: Natural Gas Supply to Burdick Power Station

DEPARTMENT: Utilities

FUND/ACCOUNT: 520

PUBLICATION DATE: November 4, 2008

NO. POTENTIAL BIDDERS: 5

SUMMARY

Bidder:	<u>Seminole Energy Services</u>	<u>ONEOK Energy Marketing</u>
	Holdrege NE	Grand Island NE

cc: Gary Mader, Utilities Director
Dale Shotkoski, City Attorney
Jeff Pederson, City Administrator

Bob Smith, Assist. Utilities Director
Wes Nespor, Purchasing Agent
Pat Gericke, Utilities Admin. Assist.

P1300

RESOLUTION 2008-328

WHEREAS, the City Electric Department invited bids for Natural Gas Supply Agreement through September 2009 to the Burdick Station Power Plant, according to the contract specifications on file at the Utilities Department office; and

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

WHEREAS, on November 12, 2008 bids were received, opened, and reviewed; and

WHEREAS, Seminole Energy Services, with sales offices in Denver, CO submitted a bid in accordance with the terms of the advertisement of bids and the contract specifications and all other statutory requirements contained therein; and

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the bid of Seminole Energy Services, for the Natural Gas Supply Agreement through September 2009 is approved as the lowest responsive bid submitted.

BE IT FURTHER RESOLVED, that an agreement between the City and such contractor be entered into for such project; and 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, November 18, 2008.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
November 13, 2008	☐ City Attorney