



City of Grand Island

Tuesday, April 14, 2009

Council Session

Item G18

#2009-86 - Approving Sale of #6 Fuel Oil - Burdick Station

Staff Contact: Gary R. Mader

Council Agenda Memo

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

Meeting: April 14, 2009

Subject: Sale of Residual (No. 6) Fuel Oil

Item #'s: G-18

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

Background

The City electric generating facilities are the Platte Generating Station and the Burdick Station. Platte is a coal-fueled steam turbine generator rated at 100 megawatts. It is the City's base-loaded generating facility, operating over 8,000 hours per year. The generating capacity at the Burdick Station consists of three steam turbine generators (92 megawatts total) and three combustion turbine generators (81 megawatts total). These units use natural gas as their primary fuel, and because of their fuel cost being higher than coal, they are used as peaking units during high load demand periods, about 400 to 500 hours per year. Additionally, because of their quick start characteristics (less than 15 minutes), the combustion turbines are used instead of the steam turbine units, which were originally designed as base load units in the 1950's and 1960's.

As a contingency for times when the natural gas supply could be interrupted, both types of units at Burdick Station can use fuel oil as a backup fuel source. The combustion turbines utilize distillate (No. 2) fuel oil, which is similar to diesel, while the older steam units utilize residual (No. 6) fuel oil, which is a byproduct of the oil refining process. No. 6 fuel oil is usually less expensive than No. 2 fuel oil, but requires heating for handling and combustion and is better suited for base-load units. With the addition of 33 megawatts of coal-fueled generation from the City's participation in the Nebraska City Unit 2 starting this year, and an additional 15 megawatts in the Whelan 2 project at Hastings in 2011, the mission of the older steam units at Burdick will be more of a standby role for disruptions of electric system operations. This role is better suited for the quick start abilities of the combustion turbines.

As a result, the need for the inventory of the No. 6 fuel oil is minimized. The use of the No. 6 oil requires a steam unit to be fired on natural gas for two to three days to heat the oil for use, which is not timely in an emergency. Burdick Station currently has about

2,000,000 million gallons of No. 6 fuel oil in storage. As a means of funding for expanding the No. 2 fuel oil inventory for use in the combustion turbines as the contingency fuel source, bids for the sale of 1,500,000 gallons of No. 6 fuel oil were solicited by the Utilities Department.

Discussion

The specifications for the Residual (No. 6) Fuel Oil were advertised and issued for bid in accordance with the City Purchasing Code. Bids were publicly opened on March 25, 2009. Specifications were sent to four potential bidders and responses were received as listed below.

Bidder	Bid Price
Jebro, Inc., Sioux City, IA	\$0.45 per gallon
Werner Construction, Inc., Hastings, NE	\$0.37 per gallon

The bids were reviewed by plant engineering staff. They are compliant with the specifications.

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 contract for sale of Residual (No. 6) Fuel Oil to Jebro, Inc. of Sioux City, IA, as the high responsive bidder, with the bid price of \$0.45 per gallon.

Sample Motion

Move to approve award of the bid of \$0.45 per gallon from Jebro, Inc. for the sale of Residual (No. 6) Fuel Oil as submitted.



**Working Together for a
Better Tomorrow. Today.**

CONTRACT DOCUMENT

for

RESIDUAL (NO. 6) FUEL OIL

**Platte Generating Station
City of Grand Island Utilities
Grand Island, Nebraska**

Contractor:

**JEBRO INC.
2303 BRIDGEPORT DRIVE
SIOUX CITY, IA 51111**

Award Date:

MARCH 24, 2009

RESIDUAL (NO. 6) FUEL OIL

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CONTRACT AGREEMENT

SALES CONTRACT AGREEMENT

THIS AGREEMENT, made and entered into this _____ day of _____, 2009, by and between the CITY OF GRAND ISLAND, NEBRASKA, a municipal corporation under the laws of the State of Nebraska citing through their Council, as Party of the First Part and hereinafter termed the "City" and

JEBRO, INC. of 2303 Bridgeport Drive, Sioux City, IA 51111, Party of the Second Part and hereinafter termed the "Contractor",

WITNESSETH:

THAT WHEREAS: The City has caused to be prepared specifications and other Contract Documents for the work herein described, and has approved and adopted said Contract Documents and has caused to be published an advertisement inviting sealed proposals for:

Residual (No. 6) Fuel Oil

Specified herein, in accordance with the terms of the Contract; and

WHEREAS, the said Contractor, in response to such advertisement, has submitted to the City, in the manner and at the time specified, a sealed Proposal in accordance with the terms of said advertisement; and

WHEREAS, the City has publicly opened, examined, and canvassed the Proposals submitted in response to the published invitation therefore and, as a result of said canvass has determined and declared the aforesaid Contractor to be the highest and/or best bidder for:

Residual (No. 6) Fuel Oil

And has duly awarded to the said Contractor a contract therefore, as stated more in detail in the Contract Documents, to wit: Advertisement to Bidders, Instructions to Bidders, Bid, Contract Detailed Specifications, and Contract Agreement all of which documents are attached hereto and made a part of this Contract, for the prices and amounts hereinafter set forth.

NOW THEREFORE: In consideration of the compensation to be paid to the City by the Contractor, and of the mutual agreements herein contained, the Parties of these presents have agreed and hereby agree, the City for itself and its successors and the Contractor for itself, himself, or themselves, or its, his or their successors and assigns, or its, his or their executors and administrators as follows:

ARTICLE I: That the Contractor shall (a) furnish all tools, equipment, supplies, superintendence, transportation, and other accessories, services and facilities; (b) furnish all materials, supplies and equipment specified; (c) provide and perform all necessary labor; and (d) in good substantial and workmanlike manner and in accordance with the provisions of this Contract Document, execute and complete all

work included in and covered by the City's official award of this Contract to the said Contractor, such award being based on the acceptance by the City of items and subitems of the bid as follows:

Jebro Inc. letter of proposal – dated March 24, 2009

Uniform Sales and Use Tax Certificate – Multi-jurisdiction – dated March 27, 2009

ARTICLE II: That the Contractor shall pay to the City for residual (No. 6) fuel oil, and the City will accept as full compensation therefore, the sum of:

Forty-Five Cents (\$0.45 per net gallon)

Payment thereof to be made in the following manner: The City shall invoice the Contractor monthly and payment terms are net 30 days from the date of the invoice. Contractor shall provide certified scale tickets and a full accounting of all fuel oil purchased.

ARTICLE III: Any and all suits for any and every breach of this Contract may be instituted and maintained in any court of competent jurisdiction in the County of Hall, State of Nebraska.

Any action at law, suit in equity or judicial proceedings for the enforcement of this Contract or any provision thereof shall be instituted only in the court of the State of Nebraska.

It is mutually understood and agreed that this Contract shall be governed by the laws of the State of Nebraska, both as to interpretation and performance.

The City makes no warranties or guarantees about the condition of the fuel oil and will not accept responsibility for its use.

ARTICLE IV: The Contractor shall purchase and maintain at Contractor's expense as a minimum insurance coverage of such types and in such amounts as to protect the Contractor and the interest of the City and others from claims which may arise out of or result from Contractor's operations under these Contract Documents, whether such operations be by the Contractor or by any subcontractor or anyone directly or indirectly employed by any of them or for whose acts any of them may be legally liable. Failure of Contractor to maintain proper insurance coverage shall not relieve him of any contractual responsibility or obligation.

ARTICLE V: In accordance with the laws of the State of Nebraska, when a nonresident contractor enters into agreement with the City to provide such services as outlined in these specifications, the Contractor shall secure a Certificate of Authority to transact business within the State of Nebraska. A certified copy of such Certificate of Authority shall be provided by this Contractor to the City prior to performing any work under this Contract.

IN WITNESS WHEREOF: the Parties of the First and Second Parts have hereto set their hands and seals on the day and year above written.

CITY OF GRAND ISLAND, NEBRASKA
Party of the First Part

Approved as to form:

City Attorney

By _____

Title _____

ATTEST:

City Clerk

JEBRO INC.
Party of the Second Part

By _____

Title _____

ATTEST:

Title _____

CONTRACTOR'S BID



March 24, 2009

Tim Luchsinger
Assistant Utilities Director
City of Grand Island
Grand Island, NE 68801

Dear Mr. Luchsinger:

Please find enclosed our response and bid for the Number 6 Fuel Oil for sale at your Burdick Station in Grand Island, NE.

We propose to pay the city of Grand Island \$0.45 per net gallon (net gallons, corrected to 60 F) loaded on transport trucks.

Our bid is contingent on the following:

- The No.6 Fuel Oil must be heated and maintained at a loading/transfer temperature of 180 degrees F.
- The No.6 Fuel Oil cannot exceed 2 percent sulfur. Sulfur content will be verified by a independent third party analysis once the tank(s) has reached pumping temperature and allowed to circulate for three days. The analysis will be performed at Jebro's expense.
- The No. 6 Fuel Oil cannot exceed 2 percent water. Water content will be verified by a independent third party analysis once the tank(s) has reached pumping temperature and allowed to circulate for three days. The analysis will be performed at Jebro's expense.

Sincerely,

A handwritten signature in blue ink that reads 'Chad Anderson'.

Chad Anderson
General Manager of Heavy Fuels
Jebro Incorporated

CITY OF GRAND ISLAND, NEBRASKA
PLATTE GENERATING STATION / C.W. BURDICK GENERATING STATION
UTILITIES DIVISION

PROPOSAL TO PURCHASE / BID FORM

The undersigned bidder agrees to purchase residual (No. 6) fuel oil, from the City of Grand Island, subject to the following conditions:

- ◆ The City offers this residual (No. 6) fuel oil for purchase by the general public as a whole unit, with one lump sum price.
- ◆ Contact Tim Luchsinger, Platte Generating Station Assistant Utilities Director at (308) 385-5494 from 8:00 am – 3:30 p.m., Monday through Friday for any questions.
- ◆ The City makes no warranties or guarantees about the condition of the fuel oil and will not accept responsibility for its use.
- ◆ The residual fuel oil cannot exceed 2% sulfur and 2% water content.
- ◆ The successful bidder shall pay a good faith deposit of 25% of the bid price within ten (10) working days after bid acceptance. Failure of the buyer to pay the good faith deposit voids the agreement. The balance of the bid price is due by certified check when the residual (No. 6) fuel oil is picked up.
- ◆ The successful bidder must remove all residual (No. 6) fuel oil within 30 days of submitting the good faith deposit.

BID PRICE:

net gallon corrected to 60 d F.
Unit Price Bid: \$ 0.45 per pound. Contractor is aware that the approximate amount to be sold is 1,500,000 gallons, however, payment shall be based on the actual amount transferred. Contractor shall provide certified scale tickets for each truck load of fuel oil.

Estimated unloading time required by the Contractor: 30 days after reaching pumping temperature.

Total Estimated Bid Six hundred and seventy five thousand DOLLARS (\$ 675,000.00)

Dated this 24 th day of March, 2009.

Chad Anderson
Signature of Bidder

Jebro Incorporated
2303 Bridgeport Drive
Sioux City, IA 51111
Address

Chad Anderson
Name of Person Completing Bid
(please print)

(712) 490-3707
Telephone Number

SPECIFICATIONS



Working Together for a
Better Tomorrow. Today.

**FOR SALE TO GENERAL PUBLIC
SPECIFICATION PACKAGE**

for

RESIDUAL (NO. 6) FUEL OIL

Bid Opening Date/Time

Wednesday, March 25, 2009

City of Grand Island, Platte Generating Station

Contact

City of Grand Island – Utilities Department

Platte Generating Station

Tim Luchsinger, Assistant Utilities Director

308/385-5494

Date issued: March 6, 2009

**ADVERTISEMENT
FOR SALE TO GENERAL PUBLIC**

RESIDUAL (NO. 6) FUEL OIL

**CITY OF GRAND ISLAND, NEBRASKA
UTILITIES DIVISION**

Sealed bids will be **received at Platte Generating Station**, 1035 W. Wildwood Drive, Grand Island, Nebraska 68801, until **1:00 p.m. (local time), on Wednesday, March 25, 2009**, for sale of Residual (No. 6) Fuel Oil at the C.W. Burdick Generating Station. Bids received after the specified time will be returned unopened to sender.

The fuel oil is stored in aboveground storage tanks connected to a transfer pump station. The transfer pump is rated at 100 gallons per minute. The City will provide steam heating to the tanks and piping for continuous loading of semi-trailer tank trucks and operating personnel for the transfer pump. The Contractor shall provide all transportation for the fuel and personnel for connection of loading hoses. Trucks and drivers shall be licensed and permitted for over-the-road transportation of fuel oil.

Firm bids based on a unit price per pound shall be included. The approximate amount to be sold is 1,500,000 gallons; however, payment shall be based on the actual amount transferred. The Contractor shall provide certified scale tickets for each truck load of fuel oil. The bid shall also include the estimate unloading time required by the Contractor. Bids shall be submitted on forms furnished by the City, obtained by contacting Platte Generating Station, or online at www.grand-island.com under Calendars.

The Purchaser reserves the right to reject any or all bids, to waive technicalities, and to accept whichever bid that may be in the best interest of the City, at its sole discretion.

RaNae Edwards, City Clerk

**CITY OF GRAND ISLAND, NEBRASKA
PLATTE GENERATING STATION / C.W. BURDICK GENERATING STATION
UTILITIES DIVISION**

PROPOSAL TO PURCHASE / BID FORM

The undersigned bidder agrees to purchase residual (No. 6) fuel oil, from the City of Grand Island, subject to the following conditions:

- ◆ The City offers this residual (No. 6) fuel oil for purchase by the general public as a whole unit, with one lump sum price.
- ◆ Contact Tim Luchsinger, Platte Generating Station Assistant Utilities Director at (308) 385-5494 from 8:00 am – 3:30 p.m., Monday through Friday for any questions.
- ◆ The City makes no warranties or guarantees about the condition of the fuel oil and will not accept responsibility for its use.
- ◆ The successful bidder shall pay a good faith deposit of 25% of the bid price within ten (10) working days after bid acceptance. Failure of the buyer to pay the good faith deposit voids the agreement. The balance of the bid price is due by certified check when the residual (No. 6) fuel oil is picked up.
- ◆ The successful bidder must remove all residual (No. 6) fuel oil within 30 days of submitting the good faith deposit.

BID PRICE:

Unit Price Bid: \$ _____ per pound. Contractor is aware that the approximate amount to be sold is 1,500,000 gallons, however, payment shall be based on the actual amount transferred. Contractor shall provide certified scale tickets for each truck load of fuel oil.

Estimated unloading time required by the Contractor: _____

Total Estimated Bid _____ DOLLARS (\$ _____)

Dated this _____ day of _____, 2009.

Signature of Bidder

Address

Name of Person Completing Bid
(please print)

Telephone Number

SALE OF RESIDUAL (NO. 6) FUEL OIL

SCOPE: The City is selling approximately 1,500,000 gallons of residual (No. 6) fuel from its Burdick Station.

DESCRIPTION: The Burdick Station is located at 700 E. Bischeld in Grand Island. The fuel oil is stored in aboveground storage tanks connected to a transfer pump station. The transfer pump is rated at 100 gallons per minute. The City will provide steam heating to the tanks and piping for continuous loading of semi-trailer tank trucks and operating personnel for the transfer pump. The Contractor shall provide all transportation for the fuel and personnel for connection of loading hoses. Trucks and drivers shall be licensed and permitted for over the road transportation of fuel oil.

Firm bids based on a unit price per pound shall be included. The approximate amount to be sold is 1,500,000 gallons, however, payment shall be based on the actual amount transferred. The Contractor shall provide certified scale tickets for each truck load of fuel oil. The bid shall also include the estimate unloading time required by the Contractor.

CONTACT: For questions regarding this specification, contact Tim Luchsinger, Assistant Utility Director, at 308-385-5494.

**UNIFORM SALES AND USE
TAX CERTIFICATE**

UNIFORM SALES & USE TAX CERTIFICATE—MULTIJURISDICTION

The below-listed states have indicated that this form of certificate is acceptable, subject to the notes on pages 2-4. The issuer and the recipient have the responsibility of determining the proper use of this certificate under applicable laws in each state, as these may change from time to time.

Issued to Seller: City of Grand Island, NE - Utilities Division

Address: C.W. Burdick Generating Station, 700 E. Bischeld, Grand Island, NE 68801

I certify that:

Name of Firm (Buyer): Jebro Incorporated

Address: 2303 Bridgeport Drive
Sioux City, IA 51111

is engaged as a registered

- Wholesaler
- Retailer
- Manufacturer
- Seller (California)
- Lessor (see notes on pages 2-4)
- Other (Specify) _____

and is registered with the below listed states and cities within which your firm would deliver purchases to us and that any such purchases are for wholesale, resale, ingredients or components of a new product or service¹ to be resold, leased, or rented in the normal course of business. We are in the business of wholesaling, retailing, manufacturing, leasing (renting) the following:

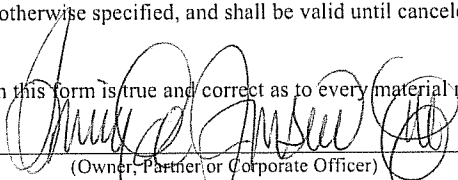
Description of Business: Manufacturer/Distributor of Asphalt, Oil, Fuel, and Recycled Oil Products

General description of tangible property or taxable services to be purchased from the seller: #6 FUEL

State	State Registration, Seller's Permit, or ID Number of Purchaser	State	State Registration, Seller's Permit, or ID Number of Purchaser
AL ¹	_____	MO ¹⁶	<u>17926386</u>
AR	_____	NE ¹⁷	<u>2107651</u>
AZ ²	_____	NV	_____
CA ³	_____	NJ	_____
CO ⁴	_____	NM ^{4,18}	_____
CT ⁵	_____	NC ¹⁹	_____
DC ⁶	_____	ND	<u>138511 00</u>
FL ⁷	_____	OH ²⁰	_____
GA ⁸	_____	OK ²¹	<u>868706</u>
HI ^{4,9}	_____	PA ²²	_____
ID	<u>003087454-S</u>	RI ²³	_____
IL ^{4,10}	_____	SC	_____
IA	<u>197018908</u>	SD ²⁴	<u>1014-6103-ST</u>
KS	<u>005460314781F01</u>	TN	<u>105397644</u>
KY ¹¹	_____	TX ²⁵	<u>3-20192-5950-9</u>
ME ¹²	_____	UT	_____
MD ¹³	_____	VT	_____
MI ¹⁴	<u>U460314781</u>	WA ²⁶	<u>602-614-741</u>
MN ¹⁵	<u>2624333</u>	WI ²⁷	_____

I further certify that if any property or service so purchased tax free is used or consumed by the firm as to make it subject to a Sales or use Tax we will pay the tax due directly to the proper taxing authority when state law so provides or inform the seller for added tax billing. This certificate shall be a part of each order which we may hereafter give to you, unless otherwise specified, and shall be valid until canceled by us in writing or revoked by the city or state.

Under penalties of perjury, I swear or affirm that the information on this form is true and correct as to every material matter.

Authorized Signature: 
(Owner, Partner, or Corporate Officer)

Title: President

Date: 03/27/2009

RESOLUTION 2009-86

WHEREAS, the City Electric Department invited sealed bids for the sale of Residual (No. 6) Fuel Oil; and

WHEREAS, on March 25, 2009, bids were received, opened and reviewed; and:

WHEREAS, Jebro, Inc., of Sioux City, Iowa submitted a bid in accordance with the terms of the advertisement of bids and all other statutory requirements, such bid being in the amount of \$0.45 per gallon.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the bid of Jebro, Inc., of Sioux City, Iowa, in the amount of \$0.45 per gallon is approved as the highest bid for the sale of Residual (No. 6) Fuel Oil.

- - -

Adopted by the City Council of the City of Grand Island, Nebraska, April 14, 2009.

Margaret Hornady, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form ☐ _____
April 9, 2009 ☐ City Attorney