



City of Grand Island

Tuesday, July 28, 2015

Council Session

Item G-10

#2015-191 - Approving Sale of Residual (No. 6) Fuel Oil

Staff Contact: Tim Luchsinger, Stacy Nonhof

Council Agenda Memo

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

Meeting: July 28, 2015

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

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

Background

The City electric generating facilities include the Platte Generating Station and 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 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 672,000 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 a contingency fuel source, bids for the sale of 672,000 gallons of No. 6 fuel oil were solicited by plant staff.

Discussion

The specifications for the Residual (No. 6) Fuel Oil were advertised and issued for bid in accordance with the City Purchasing Code. Specifications were sent to three potential bidders. A bid was received from Rex Payne, Conjopa Oil, LLC, of Ashley, Ohio.

| <u>Bidder</u> | <u>Bid Price</u> | <u>Total Estimated Bid</u> |
|------------------|--------------------|----------------------------|
| Conjopa Oil, LLC | \$0.0125 per pound | \$68,880.00 |

The bid was reviewed by plant engineering staff and is 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 Conjopa Oil, LLC, of Ashley, Ohio, as the high responsive bidder, with the bid price of \$0.0125 per net pound.

Sample Motion

Move to approve award of the bid of \$0.0125 per net pound from Conjopa Oil, LLC, for the sale of Residual (No. 6) Fuel Oil.

RESOLUTION 2015-191

WHEREAS, the City of Grand Island invited sealed bids for the Sale of Residual (No. 6) Fuel Oil, according to plans and specifications on file with the Utilities Department; and

WHEREAS, on May 27, 2015, bids were received, opened and reviewed; and

WHEREAS, Conjopa Oil, LLC, submitted a bid in accordance with the terms of the advertisement of bids and plans and specifications and all other statutory requirements contained therein, such bid being in the amount of \$0.0125 per net pound.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the bid of Conjopa Oil, LLC, in the amount of \$0.0125 per new pound, for the sale of Residual (No. 6) Fuel Oil, is hereby approved as the high responsive bidder.

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Adopted by the City Council of the City of Grand Island, Nebraska, July 28, 2015.

Jeremy L. Jensen, Mayor

Attest:

RaNae Edwards, City Clerk

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| Approved as to Form | ☐ _____ |
| July 24, 2015 | ☐ City Attorney |