



City of Grand Island

Tuesday, June 12, 2012

Council Session

Item G9

#2012-143 - Approving Coal Marketing Services with Western Fuels Association

Staff Contact: Tim Luchsinger, Robert Sivick

Council Agenda Memo

From: Timothy Luchsinger, Utilities Director
Robert Sivick, City Attorney

Meeting: June 12, 2012

Subject: Approving Coal Marketing Services with Western Fuels Association

Item #'s: G-9

Presenter(s): Timothy Luchsinger, Utilities Director

Background

Since 1987, coal and freight contracts for fuel at the Platte Generating Station have been solicited and negotiated by the team of Gary Mader (Utilities Director), Tim Luchsinger (Assistant Utilities Director), Keith Sinor (City Attorney and later outside consultant), and the City Attorney's office. These contracts were typically done on a bi-annual basis and involved monitoring market conditions, preliminary contact with suppliers, solicitation of requests for bids, and negotiation with bidders.

The current coal contract expires at the end of this year, with the railroad freight contract expiring at the end of 2013. As a result of retirements, the only remaining member of this team is Tim Luchsinger, Utilities Director, and he is the only City staff member with experience in these types of contracts. To obtain qualified assistance and allow new City staff time to gain experience in these transactions, Utilities management requested a proposal from Western Fuels Association, a not-for-profit cooperative formed by public power utilities to provide coal and freight management services. Nebraska members include Nebraska Public Power District, Lincoln Electric System, and Fremont Utilities.

To provide fuel management services, WFA requires Grand Island to become a Class "C", or non-voting member, and pay an annual fee as provided for in the separately attached confidential agreement. This fee is approximately 0.3% of the delivered coal cost to PGS. The fuel management services would include soliciting coal that meets PGS requirements as part of their bulk solicitation for their other members, and providing a recommended purchase agreement meeting the procurement policies of the City. The final agreement would be a contract negotiated between the City and the coal supplier and presented for consideration by Council. Upon approval of the coal supply contract,

WFA would also manage scheduling of coal deliveries with plant staff, the coal supplier, and the railroad.

Discussion

Western Fuels Association has a full-time professional staff that monitors coal market conditions and tests the market several times a year with multi-million ton solicitations. The Utilities Department requires around 350,000 tons of coal per year and would be in a position to obtain more favorable coal pricing by being included in these large transactions, which would allow our electric rates to remain competitive with regional power producers.

Utilities and Legal staff have reviewed the proposed agreement and the membership bylaws from WFA, and recommend that the Mayor be authorized to execute the Services Agreement with Western Fuels Association of Denver, Colorado for fuel management services, which includes becoming a Class "C" member.

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 the Mayor to execute the Services Agreement with Western Fuels Association of Denver, Colorado, for fuel management services, which includes Grand Island becoming a Class "C" member WFA.

Sample Motion

Move to authorize the Mayor to execute the Services Agreement with Western Fuels Association of Denver, Colorado, for fuel management services, which includes Grand Island becoming a Class "C" member of WFA.

RESOLUTION 2012-143

WHEREAS, the current coal supplier contract expires at the end of this year; and

WHEREAS, to obtain qualified assistance in freight negotiations and the purchase of coal for the Platte Generating Station; and

WHEREAS, Utilities management requested a proposal from Western Fuels Association to provide coal and freight management services; and

WHEREAS, Grand Island will become a Class "C", or non-voting member, and pay an annual fee of approximately 0.3% of the delivered coal cost to Platte Generating Station as provided for in the agreement; and

WHEREAS, Utilities Department and Legal staff have reviewed the agreement and recommend that it be executed by the City.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, the Services Agreement with Western Fuels Association, is hereby approved, and the Mayor is authorized to sign the agreement on behalf of the City of Grand Island.

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Adopted by the City Council of the City of Grand Island, Nebraska, June 12, 2012.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

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| Approved as to Form | ☒ _____ |
| June 8, 2012 | ☒ City Attorney |