



City of Grand Island

Tuesday, September 11, 2012

Council Session

Item G12

#2012-247 - Approving Coal Contract for 2012 with Arch Coal Sales Company

Staff Contact: Tim Luchsinger, Jason Eley

Council Agenda Memo

From: Timothy Luchsinger, Utilities Director
Jason Eley, City Attorney

Meeting: September 11, 2012

Subject: Bid Award – Supplemental 2012 Coal Supply Contract,
Platte Generating Station – Utilities Department

Item #'s: G-12

Presenter(s): Timothy Luchsinger, Utilities Director

Background

On November 23, 2010, the City entered into two one-year agreements with Arch Coal Sales Company, Inc. for the coal fuel supply for the Platte Generating Station. These agreements specified minimum and maximum quantities of coal to be purchased by the City from Arch Coal at the contract price in the years 2011 and 2012. On June 12, 2012 City of Grand Island entered into a five-year agreement with Western Fuels Association to assist in the purchase of coal for the Platte Generating Station. Significant summer electrical demand will allow the plant to receive the minimum quantity required for 2012 by October, with an estimated 45,000 tons required for the remainder of the year. As part of a larger coal solicitation for its members, Western Fuels included the additional coal that is needed for Platte for the remainder of 2012 and for 2013.

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 an analysis of the bids received. Due in part to soft coal market conditions because of low natural gas prices, and in part to participating in a large volume solicitation, the bid price from Arch Coal for coal needed for the rest of 2012 is substantially lower than the current coal contract. The Department concurs in Western Fuels Association recommendation that the supplemental Coal Supply agreement for the remainder of 2012 be awarded to the low compliant bidder, Arch Coal Sales from the Coal Creek 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 supplemental 2012 Coal Supply agreement with Arch Coal Sales Coal Creek Mine for the purchase of approximately 45,000 tons of coal from that mine.

Sample Motion

Move to approve the supplemental 2012 Coal Supply agreement with Arch Coal Sales Coal Creek Mine for the purchase of approximately 45,000 tons of coal from that mine.

RESOLUTION 2012-247

WHEREAS, the City Electric Department through Western Fuels Association, invited bids for the remainder of the 2012 supplemental 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, Arch Coal Sales Company, Inc., with sales offices in St. Louis, Missouri submitted bids 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 Arch Coal Sales Company, Inc. _____, for the remainder of the 2012 Coal Supply to Platte Generating Station for approximately 45,000 tons from the Coal Creek 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.

- - -

Adopted by the City Council of the City of Grand Island, Nebraska, September 11, 2012.

Jay Vavricek, Mayor

Attest:

RaNae Edwards, City Clerk

Approved as to Form	☐ _____
September 7, 2012	☐ City Attorney