



City of Grand Island

Tuesday, September 11, 2012

Council Session

Item G9

#2012-244 - Approving Amendment to the Natural Gas Supply Agreement with Seminole Energy Services

Staff Contact: Tim Luchsinger, Jason Eley

Council Agenda Memo

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

Meeting: September 11, 2012

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

Item #'s: G-9

Presenter(s): Timothy Luchsinger, Utilities Director

Background

The Burdick Station generating units are primarily fueled by natural gas. They are most often used to meet summer peak electric demand, but can also be used other times of the year to meet unplanned conditions.

On September 10, 2011, the natural gas supply contract was awarded to Seminole Energy Services, and the term of the current contract expires on September 30, 2013. This contract allows the Department to nominate up to a maximum quantity of natural gas for use on the following day at a specified price index. On May 22, 2012, the City entered into an agreement with Tenaska to provide electric marketing services, which includes both day ahead and “real-time” power transactions. In the past, if gas quantities were to be changed from those nominated previously, Department staff would contact Seminole to determine their cost impacts. In order to streamline this process to more readily conduct power transactions with other utilities, discussions were held with Seminole to amend the gas supply contract for these nomination changes. This will allow Tenaska to negotiate power sales or purchases knowing the defined costs for the Department.

As is customary with fuel supply transactions, the contract conditions were agreed to not be made public.

Discussion

Since the natural gas usage is for emergency and peaking needs, the actual amount of gas used under the contract with Seminole 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. The amendment to the gas supply contract defines the gas commodity price for quantities above the maximum allowed by the original contract, and for additional intra-day quantities other than those nominated under the contract conditions.

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 Amendment to the Natural Gas Supply Contract with Seminole Energy Services of Holdrege, Nebraska.

Sample Motion

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

RESOLUTION 2012-244

WHEREAS, the City Electric Department invited sealed bids for Natural Gas Supply Agreement through September 2013 to the Burdick Station Power Plant; and

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

WHEREAS, Seminole Energy Services, with sales offices in Holdrege, Nebraska, 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

WHEREAS, an amendment to the Natural Gas Supply Agreement which will define the gas commodity price index for gas purchases above the original contract baseload of 6000 MMBtu/day and for intraday gas purchases up to 5000 MMBtu/day;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF GRAND ISLAND, NEBRASKA, that the Amendment to Seminole Energy Services, for the Natural Gas Supply Agreement, is hereby approved.

BE IT FURTHER RESOLVED, that an agreement between the City and such contractor be entered into; and the Mayor is hereby authorized and directed to execute the Amendment on behalf of the City of Grand Island.

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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