

COUNCIL ACTION FORM

SUBJECT: ELECTRIC SERVICES FUEL SUPPLY CONTRACT RENEWAL

BACKGROUND:

This contract is for the purchase of #2 ultra low sulfur diesel fuel for Electric Services. The utility has a 250,000-gallon main fuel tank located at the Dayton Substation to fuel the two GT (gas-turbine) units. The Utility's two gas-turbines could burn 250,000 gallons of fuel in a 60 hour time period, requiring larger refill volumes and quick refills should an emergency dictate that they stay on-line.

The scope of work for this contract includes supplying fuel to gas turbines units as needed. Suppliers were asked to provide pricing based in the form of a markup or deduct to the daily-published "rack" average fuel price at the Des Moines, Iowa, terminal for stated products.

On May 24, 2016, Council awarded a contract for supplying #2 ultra low sulfur diesel to the City's Power Plant to Keck Energy, Des Moines, IA, at (-\$0.0061) deduct off of rack fuel price in an amount not-to-exceed \$300,000. The contract includes a provision that would allow the City to renew the contract for up to four additional one-year terms.

Staff recommends renewing the agreement for FY 2018/19. **This is the second renewal out of four maximum. Council should note that actual cost invoices will be based on the amount of fuel purchased and the price of the fuel at the time of purchase minus the (-\$0.0061) deduct. The (-\$0.0061) deduct is unchanged from the previous contract term.**

The goal of the contract is to create efficiency and flexibility in the purchase of a valuable commodity, ensuring that the City is able to use opportunity purchasing and to lock in performance criteria for the suppliers.

The approved FY 2018/19 operating budget includes \$150,000 for this fuel purchase.

ALTERNATIVES:

1. Approve the contract renewal with Keck Energy, Des Moines, IA, to supply #2 ultra low sulfur diesel to the City's Power Plant, for the period from July 1, 2018 through June 30, 2019, in an amount not-to-exceed \$150,000. Under this renewal, there is no change from the previous year to the Keck Energy (-\$0.0061) deduct off of rack fuel price.

2. Do not renew the agreement and instruct staff to seek new competitive proposals.

MANAGER'S RECOMMENDED ACTION:

This contract renewal will continue to offer the City the ability to have flexibility in fuel purchasing and to maintain standards of performance for fuel content and fuel delivery at the same deduct price as the current year.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1 as stated above.