



Legislation Text

File #: 18-0011R, **Version:** 1

RESOLUTION AUTHORIZING AN AMENDMENT TO EXTEND CONTRACT 22091 WITH VENTURE FUELS FOR ONE ADDITIONAL YEAR FOR THE PURCHASE AND DELIVERY OF COAL TO DULUTH ENERGY SYSTEMS FOR 2018.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to amend contract C22091 with Venture Fuels (a joint venture partnership between Midwest Energy Resources Company & NERCO Coal Sales, LLC) for the purchase and delivery of approximately 28,000 tons of western sub-bituminous coal to Duluth Energy Systems (DES) for one (1) additional year through December 31, 2018 at the negotiated price of \$45.12 per ton, subject to changes in diesel fuel prices and other price adjustments, payable from 540-920-1490-5387 (Steam Fund; Steam Department; Steam Production; Coal). There is no increase to the total contract amount.

STATEMENT OF PURPOSE: This resolution authorizes an amendment to extend City contract C22091 with Venture Fuels for one additional year at the negotiated price of \$45.12 per ton which is a \$1.14 reduction in price from the current rate of \$46.26 per ton. Venture Fuels supplies Spring Creek coal for DES.

The delivered cost per ton is subject to rail and trucking fuel price adjustments per the terms contained in the existing contract. Total quantity is estimated and may change due to energy needs during the year. The actual amount of coal purchased has decreased due to the conversion of two of the DES boilers to natural gas. Future coal needs will be reassessed next year after considering the impact that the use of natural gas and bio-fuels will have on coal consumption.

Annual contract totals are as follows:

2014 - \$2,797,630.17 (actual)
2015 - \$2,003,754.56 (actual)
2016 - \$2,038,585.16 (actual)
2017 - \$2,524,480.00 (estimated), expensed YTD \$843,337.17

Estimated costs for the five-year term of the contract remain \$9,939,384.73