



Legislation Text

File #: 16-0730R, **Version:** 1

RESOLUTION AUTHORIZING AGREEMENT WITH MINNESOTA POWER-HIBBARD RENEWABLE ENERGY CENTER FOR INTERRUPTABLE GAS SERVICE.

CITY PROPOSAL:

RESOLVED, that the proper city officials are hereby authorized to enter into an agreement with Minnesota Power-Hibbard Renewable Energy Center, a copy of which is attached hereto as exhibit I, pursuant to which the city would make specified quantities of natural gas available to Hibbard as a back-up energy source under specified terms, conditions and rates, payable to the gas fund 520, department 500 (public works and utilities), division 1960 (natural gas).

STATEMENT OF PURPOSE: The purpose of this resolution is to authorize an agreement with Minnesota Power-Hibbard Renewable Energy Center on an interruptible basis to serve as a back-up energy source for Hibbard's energy needs.

Hibbard is a steam and electricity generating facility whose primary function is to provide steam energy to the Verso paper mill and to the associated paper recycling plant. It is currently designed and intended to use wood waste from the paper making process and other available wood products to provide power and this continues to be its primary source of fuel. But there are times when the supply of wood fuel is inadequate to meet the needs of the plant and at those times, Hibbard needs a back-up source of energy to keep the necessary steam flowing to its customers. This source is natural gas.

As Hibbard is not a "regular" customer taking a consistent volume of gas, it is necessary to have a process for notifying gas department staff when gas will be needed so that staff can, in turn, secure the anticipated volume of gas needed by Hibbard on those occasions when they do need it. And because if the city takes more gas from its suppliers than the city originally indicated, the city can incur penalties, it is necessary to pass those penalties along to Hibbard when the source of the penalties is Hibbard's failure to give the city advance notice of their needs. In addition, because even with notice, the city may have to purchase gas on the "spot market" to meet Hibbard's needs, the agreement provides for a mechanism to allow the city to cover its costs.

The agreement is a month-to-month agreement with either party can terminate as their interests require.