

PURCHASING AND LICENSING COMMITTEE

10-0495R

RESOLUTION AWARDING A CONTRACT TO VENTURE FUELS FOR PROVIDING COAL TO THE DULUTH STEAM COOPERATIVE DISTRICT ONE FOR THREE HEATING SEASONS AS FOLLOWS: APPROXIMATELY \$2,546,880 FOR 2010-2011; APPROXIMATELY \$2,546,880 FOR 2011-2012, AND APPROXIMATELY \$2,546,880 FOR 2012-2013 FOR A THREE-YEAR CONTRACT TOTAL OF APPROXIMATELY \$7,640,640.

CITY PROPOSAL:

RESOLVED, that city officials are hereby authorized to contract with Venture Fuels for the purchase and delivery of approximately 56,000 tons of Spring Lake coal per year to the Duluth Steam Cooperative District One in accordance with city-approved specifications and the vendor's bid of \$45.48 per ton at a base price of approximately \$2,546,880 per heating season (November 1 - October 31) and a three-year contract for approximately 168,000 tons at approximately \$7,640,640, terms net 10, FOB destination and payable from Steam Fund 540, Department/Agency 920, Organization 1490, Object 5387.

Approved:

Approved for presentation to council:

Department Director
Purchasing Agent _____

Chief Administrative Officer

Approved as to form:

Approved:

Attorney

Auditor

STATEMENT OF PURPOSE: This resolution will authorize the purchase of fuel from Venture Fuels for use by the Duluth Steam Cooperative at the estimated quantities and costs listed below:

(a) 56,000 tons of Spring Creek coal for the November 1, 2010 - October 31, 2011, season at a rate of \$45.48* per ton and total of \$2,546,880;

(b) 56,000 tons of Spring Creek coal for the November 1, 2011 - October 31, 2012, season at a rate of \$45.48* per ton and total of \$2,546,880;

(c) 56,000 tons of Spring Creek coal for the November 1, 2012 - October 31, 2013, season at a rate of \$45.48* per ton and total of \$2,546,880.

*The base price is subject to change due to changes in diesel fuel prices, indexed rail prices, and other price adjustments as indicated in the vendor's proposal.

The total contract amount over the contract period of November 1, 2010, through December 31, 2013, is \$7,640,640, payable from the steam fund. The minimum heating value of 8,800 BTU/lb. is higher than the 8,200 BTU/lb requested by the steam district.

The city purchasing division posted a request for bids on the city's website August 2, 2010. Venture Fuels was the only responder by the August 24, 2010, closing date.

Venture Fuels is a joint venture partnership between Midwest Energy Resources Company (in Superior, Wisconsin) and NERCO Coal Sales LLC (in Gillette, Wyoming), an affiliate of Cloud Peak Energy Resources LLC.

Requisition No 10-0422