



Department Source: City Utilities - Water and Light

To: City Council

From: City Manager & Staff

Council Meeting Date: December 5, 2016

Re: Generator Sales Agreement with Shelter Mutual Insurance Company

Executive Summary

Staff has prepared for Council consideration an ordinance authorizing the City Manager to execute an agreement with Shelter Mutual Insurance Company, (Shelter) for the sale of generators and associated switchgear, located on the property of Shelter that have been operating under a Local Site Generator Agreement, dated February 25, 2000. The Local Site Generator Agreement will terminate on February 25, 2017. Staff has worked with Shelter to negotiate the sale of the generators and associated switchgear. Shelter has agreed on a sales price of \$240,000 based on an appraisal from Martin Energy Group Services, dated June 22, 2016.

Discussion

In 2000, the City entered into an agreement with Shelter Mutual Insurance (Shelter) to install diesel generators on their property. The initial purpose of these generators was to benefit both the City of Columbia's electric system by providing additional generation capacity and energy during times of peak electric demand and to provide Shelter with standby/emergency generation for their facility in the event of a loss of power on the City's electric distribution system.

In May of 2013, new environmental regulations for stationary Compression Ignition (CI) Reciprocating Internal Combustion Engines (RICE) went into effect. These new regulations limit the operations of CI-RICE engines like the diesel generators mentioned above. These new regulations remove the ability of the City to claim these generators as generation capacity and significantly limit the ability to produce energy for non-emergency purposes. The regulations do not limit the ability for these generators to be utilized as standby generation for end use customers at this time.

Because of the loss of capacity and energy production capabilities, the City no longer receives its portion of the benefits from these diesel generators. In April 2015, staff recommended that the City not renew its agreements with customers like Shelter and in June, Shelter was notified of the City's intent not to renew its agreement with them. Because the generators may still be utilized as standby/emergency power sources, staff has worked with Shelter to negotiate an agreement to transfer ownership of these generators to them.

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Fiscal Impact

Short-Term Impact: Shelter has agreed on a sales price of \$240,000.

Long-Term Impact: none

Vision & Strategic Plan Impact

Vision Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

Strategic Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not Applicable, Tertiary Impact: Not Applicable

Comprehensive Plan Impacts:

Primary Impact: Not Applicable, Secondary Impact: Not applicable, Tertiary Impact: Not Applicable

Legislative History

Date	Action
03/20/2000	R48-00 Council Bill Authorizing Local Site Generator Agreement with Shelter Mutual Insurance Company
04/06/2015	REP 42-15 Report recommending not renewing Local Site Generator Agreements.

Suggested Council Action

Staff recommends Council approve an ordinance authorizing the City Manager to execute an agreement with Shelter Mutual Insurance Company for the sale of generators and associated switchgear.