RESOLUTION 2011-14

Agenda Item

TO: Mayor and City Council

FROM: Mark Gaugh, Interim City Manager

DATE: October 3, 2011

RE: Surplus Equipment Resolution

Issues

In the late nineties, the City purchased three, previously owned generating units and built a metal building the house them. Our power rate structure was such that we could shave off some of our peak power load, thereby reducing some of the demand charges for purchased electricity. In 2006, our power rate structure changed, making peak shaving less desirable. We are now paying more for overall usage, and a little less for peak usage than the old rate structure. In addition, new switchgear needed to be installed, along with other modifications. It was determined at that time that the peak shaving plant would not be cost-effective to operate, or borderline, at best.

Staff recommends that the various components of the decommissioned peak shaving plant be sold for scrap or market value. There are several reasons for the recommendation:

- The generator engines were originally purchased as used equipment. They have come to the point of needing repairs. Two of the units need extensive repairs, while the third unit may need only moderate repairs.
- New air pollution requirements will result in an estimated expenditure of $70,000 per unit to bring the generator units up to compliance ($210,000 total).
- The fuel storage area will need modifications to meet environmental regulations. This includes fencing, security lighting and possibly a better fuel containment structure.
- Our plant used to be in a secluded area, but a housing subdivision has grown adjacent to it. The City has received complaints in the past about the noise coming from the building when the units are operating.
- The building was not designed to effectively remove heat generated from the engines. This heat has damaged some of the electrical components in the past. Building modifications will be necessary, along with the other improvements already mentioned.
- Our current power rate structure is not as favorable for shaving peak load as it was in the past. This can change, however. Because of this, it might be advisable to always maintain enough in reserves (barring any large emergencies) to build a new peak shaving facility when the time is right. Our power purchase contract will need to better address this issue, as well. At present, the cost of diesel fuel is a key factor, as well. Also, the sizing of any future units should be evaluated. A better mix in the size and/or number of power units may make more sense. A location in a commercial area is preferred.

Recommendation

Staff recommends that the Council pass the resolution declaring the peak shaving equipment as surplus. It is also recommended that we keep a healthy fund reserve to assist with the construction of a new facility in the future, should the rate structure change to a more demand-based rate.

Resolution 2011-14

A RESOLUTION TO DECLARE AS SURPLUS, GENERATORS AND SWITCHGEAR FROM THE UTILITIES DEPARTMENT WITHIN THE CITY OF CAMERON, CLINTON AND DeKALB COUNTIES, MISSOURI

WHEREAS, the City of Cameron removes old or obsolete materials from inventory from time to time; and

WHEREAS, the Electric Division of the Utilities Department has abandoned a former peak shaving generating plant, located near the water treatment plant; and

WHEREAS, the generators will need extensive repairs and emission controls to ever be used; and

WHEREAS, it would not be cost effective to spend the funds necessary to bring the peaking plant up to standards.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Cameron, Clinton and DeKalb Counties, Missouri, as follows:

Section 1. The peak shaving equipment is declared surplus and will be sold for scrap or parts.

Section 2. The Interim City Manager is hereby authorized to sell said property.

Section 3. The City Clerk is hereby authorized to attest to the Mayor Pro-Tem's signature for all of the documents evidenced in this Resolution.

Passed and approved this 3rd day of October 2011.

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Mayor Pro-Tem Jerri Ann Eddins

ATTEST:

_____
City Clerk