

Discussion ~ Direction of Electric Department Insurance Renewal Options.

POSSIBLE MOTIONS

Option 1

I MOVE to approve not insuring the Dam or Tunnel/Penstock at either Green Lake or Blue Lake.

or

Option 2

I MOVE to approve to insure all property but decrease earth movement and flood limit from \$50 mill to \$30 mill.

or

Option 3

I MOVE to approve an increase in machinery breakdown deductible to float \$500,000. Savings of \$49,285.

or

Option 4

I MOVE to approve to make no changes and renew the policy as is.



To: Assembly Members

Via: Mark Gorman

From: Bryan Bertacchi, Electric Utility Director & Mike Venneberg, Venneberg Insurance

Review by: Jay Sweeney, Chief Finance and Administrative Officer

Date: 6/19/17

Re: Electric Department Insurance Renewal Options

Assembly Members,

EXECUTIVE SUMMARY:

2017 Risk Management Considerations

Renewal Options – Machinery Breakdown and Property Policies

Background – The total of current coverage for the electric department for general liability, property and machinery breakdown has an annual cost of approximately \$688,000 with renewal scheduled for July. Of that total amount nearly \$420,000 is for property insurance. CBS purchases property and machinery breakdown insurance for the major electric department assets, including Blue Lake, Green Lake, Jarvis and Marine Street. We also purchase business interruption/extra expense insurance with total limits of \$20 million. The property insurance includes earth movement and flood limits of \$50 million. The deductibles range from \$75,000 - \$2.5 mill, depending on the location and type of loss. The business interruption has time deductibles of 30 days.

With input from the Assembly, any or all of the options below could be selected. Depending on the appetite for risk a savings of nearly \$300,000 is attainable. As a reminder to the Assembly a savings of \$170,000 represents 1% of Electric Rates. A savings of \$300,000 represents a potential rate decrease of 1.7% overall. If this rate decrease was assigned to only the “Summer” electric rates, then a reduction of 3.5% of “Summer” rates in 2018 is attainable (from 19 cents to 18.3 cents).

OPTIONS FOR SAVINGS INCREASES RISK:

Option 1 – Do not insure the Dam or Tunnel/Penstock at either Green Lake or Blue Lake. This property represents a significant portion of replacement values and is primarily subject to loss from earth movement. The only covered property at these locations would be the powerhouses. Savings of \$210,000. Risk of replacement on the order of \$100M+

Option 2 – Insure all property but decrease earth movement and flood limit from \$50 mill to \$30 mill. Savings of \$50,000.

Option 3 – Increase machinery breakdown deductible to flat \$500,000. Savings of \$49,285. Existing deductibles vary from:

- a. Diesel Generating Plants, \$25,000 except \$20 per HP on internal combustion engines & \$15 per KW of generators, minimum \$25,000.
- b. \$250,000 on 15MW Solar Turbine Unit – Turbine & Connected Generator
- c. Transformers \$2 per KVA rating minimum \$10,000
- d. Blue Lake Hydro Facility \$75,000
- e. Green Lake Hydro Facility \$75,000
- f. All Other \$10,000

Option 4 – Make no changes and renew the policy as is. This decision maintains risk at a known level.