

Water and Light Advisory Board
October 1, 2009

A meeting of the Water and Light Advisory Board was held October 1, 2009 at 8:00 a.m. at the Water Treatment Plant Facility Conference Room, 6851 W. Route K. Attending the meeting were:

John Conway, Chair
Tom Baumgardner, Member
Tom O'Connor, Member
Bob Roper, Member
Dick Parker, Member
Mike Schmitz, Interim Water and Light Director
Dave Storvick, Interim Engineering Manager - Water
Ryan Williams, Interim Engineering Manager - Electric
Jim Windsor, Manager of Rates and Fiscal Planning
Tina Worley, Utility Services Manager
Tad Johnsen, Power Production Superintendent
Floyd Turner, Manager, Water Operations
Dan Stokes, Electric Distribution Manager
Marilyn Thorpe, Administrative Support Supervisor
Pam Mathews, Administrative Support Assistant

APPROVAL FOR THE SEPTEMBER 3, 2009 MEETING MINUTES

The September 3, 2009 meeting minutes were approved as amended by voice vote on a motion by Tom Baumgardner and a second by Bob Roper.

DIRECTOR'S REPORT

- a) Work Session – Mike Schmitz said that the Columbia Energy Center (CEC) #3 proposal was discussed at the City Council Work Session on September 23, 2009. He said that Dick Parker presented his recommendation in favor of purchasing the Wartsila generators. Mr. Schmitz said Staff has recommended, after careful consideration and review of Burns & McDonnell's financial analysis, that the utility go ahead with the purchase of the Columbia Energy Center (CEC) Unit #3. Mr. Schmitz asked the Board for guidance on how best to proceed, citing that a decision at the work session to go forward had not been made. Tom Baumgardner asked for a list of who was at the work session and find out what their views were. Bob Roper said that Staff, the City consultant, and the majority of the Board agree that the CEC plan is the best choice. Mike Schmitz said that because of the time constraints he needs a mechanism for getting the issue to the Council for a decision. According to Ameren Energy Marketing, CEC Units #3 and #4 are the only units that have not been sold as a package. If the city of Columbia does not commit soon, Ameren could sell Unit #3 elsewhere. Mike Schmitz asked Dick Parker if he felt that he has had the opportunity to fully explain his views. Mr. Parker indicated that he had done so at the work session but was not prepared to present his report to the Board. Tom Baumgardner said he heard Mr. Parker's arguments at the work session and said that Mr. Parker did not take into account licensing and engineering issues and therefore it was not a comprehensive report. Bob Roper said he is prepared to go with W & L staff and the consultant's recommendation and not argue the issue further. Tom O'Connor said he would like to present further analyses to Council along with the request to take action. In light of time constraints, Bob Roper made a motion to request the City Council take action to make a decision on which units to purchase, either the CEC Unit #3 or the Wartsila generators. The motion was seconded by Dick Parker. The motion was approved with 4 ayes and one nay vote.
- b) Public Hearing for the State Revolving Fund – Mike Schmitz said there was a Public Hearing on September 21, 2009 and staff was directed to proceed with the preparation of final plans and

specifications for several items. Mike Schmitz introduced Engineering Supervisor Dave Storvick and Engineer II Ryan Williams. He indicated that during his tenure as interim Director, Dave will be assuming the Engineering Manager duties with regard to water issues and Ryan will be assuming the duties on the electric side. Dave Storvick said Council voted on the following items:

- construction of an 8-inch water main along Old Mill Creek Road
- construction of Alluvial Well No. 16 in the McBaine bottoms
- construction of the Hillsdale pump Station ground reservoir
- installation of backup power generators at two aquifer storage and recovery (ASR) wells
- installation of transformers and switchgear at the Water Treatment Plant

Dave Storvick said the projects should be under contract by mid to late February in order to qualify for State Revolving Funds.

- c) McBaine Bottoms - A Public Hearing is scheduled for October 19, 2009 with presentations from Dr. Ennis with the University of Missouri, Shauna Marquardt with MDOC, and John Schumacker with U.S. Geological Survey (USGS). Confirmation has not yet been received that a representative from the Department of Natural Resources (DNR) will be present. Tom O'Connor said the Environment and Energy Commission (EEC) should be involved. Mike Schmitz said that it was his understanding that the EEC has not been invited to speak as presenters, but their input would be welcomed during the Public Comment portion.
- d) Transload facility update – Mr. Roper asked if there is an update. Mr. Schmitz said staff members have met with a City attorney and are going over the contract. Meanwhile, the utility is pursuing revenues and following all legal advice. Tina Worley said she is working on some contracts for 2010.

FINANCIAL REPORT

- a) Financial Update – The Board received the monthly financial statements ending August 31, 2009.

Water and Electric Utility combined operations reflect an operating income of \$7,105,143 for the eleven months ended August 31, 2009; compared to an operating income of \$9,904,676 for the same period last year. This is a decrease of \$2,799,533.

The Water Utility has an operating loss of \$162,300 for the eleven months ended August 31, 2009; compared to an operating income of \$442,072 for the same period last year. This is a decrease of \$604,372 in operating income.

The Electric Utility has an operating income of \$7,267,443 for the eleven months ended August 31, 2009; compared to an operating income of \$9,462,604 for the same period last year. This is a decrease in operation income of \$2,195,161.

Operating revenues of the Electric Utility are up \$4,202,743 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$5,737,591. Fuel and Purchased power costs have increased \$3,922,352.

- b) Jim Windsor said September is expected to be typical. The bond sale generated \$16.7 million. Mr. Parker asked if the sale of extra power generated Pilot Funds. Jim said it does not. Outside sales do not apply. Jim explained that retained earnings go into cash and marketable securities and Mr. Schmitz said bond issues are deferred as a result. Mr. Parker asked if the retained earnings rise every year and Jim said no. This year was an exception due to unusually low gas prices. Mike Schmitz said the city charter prevents retained earnings from being spent on anything other than the utility. Jim said the utility didn't have to dip into retained earnings this year because of the cool summer and lower gas prices. He said the utility is required to maintain a coverage ratio. Even if the retained earnings are higher in a given year a rate increase

could still be necessary. Mr. Parker said he thinks that Council members should be made aware that retained earnings are not available to them. Mike Schmitz said he would speak with the City Manager on the matter.

ENGINEERING REPORT

a) 24" Transmission Main - Dave Storvick presented information about the 24" East Transmission Main Project which extends from the existing 24" main at the intersection of Nifong Boulevard and Ponderosa Street to the Shepard Tower and from the Shepard Tower to the Hillsdale Pump Station. The Request for Proposal (RFP) has been completed and the utility is now finalizing scope of services and costs with Engineering Surveys and Services (ESS). Mike Schmitz explained that the line will be used to move bulk water from the south to the north side of town. A route study and the design of the main will need to be done and a 1.5 million gallon reservoir will be built to better serve the NE part of the city.

b) Water Treatment Plant Study - The first reading will be at the City Council Meeting, Monday, October 5, 2009 for the Water Treatment Plant Study to be conducted by Carollo Engineers.

ANY OTHER BUSINESS

a) John Conway said he attended the Missouri Public Utility Alliance Conference at Tan- Tar-A Resort September 24, 2009. He said there were many valuable and interesting presentations, especially a Power Point presentation about the future of natural gas. All of the members requested a copy of the presentation.

b) Dick Parker asked if additional personnel were hired to work with Demand Side Management (DSM) programs as planned. Tina Worley said two new people were hired in Utility Services, Trent Brackenridge and Frank Cunningham. Jim Windsor said Ruby Ray was hired in the Rates Division.

c) Ms. Worley said she attended an Energy Efficiency conference in Chicago. She said it was interesting and informative. She met a lot of key people in government and industry.

Next meeting date: November 5, 2009 at 8 a.m. at the Joe Paul Crane Building at Water Distribution.

The meeting adjourned at 9:10 a.m. and several Board and Staff members were shown the new chloramine conversion equipment in the Treatment Plant.

Respectfully Submitted,