

Water and Light Advisory Board
June 4, 2009

A meeting of the Water and Light Advisory Board was held June 4, 2009 at 8:00 a.m. in the Utility Services Conference Room, 105 E. Ash. Attending the meeting were:

John Conway, Chair
Tom Baumgardner, Vice Chair
Tom O'Connor, Member
Bob Roper, Member
Dick Parker, Member
J. Kraig Kahler, Water and Light Director
Mike Schmitz, Engineering Manager
Jim Windsor, Manager of Rates and Fiscal Planning
Tina Worley, Utility Services Manager
Tad Johnsen, Power Production Superintendent
Floyd Turner, Manager of Water Operations
Dan Stokes, Electric Distribution Manager
Marilyn Thorpe, Administrative Support Supervisor
Pamela Mathews, Administrative Support Assistant

Dennis Beutler, Ameren Energy Marketing
Tom Leigh, Ameren Energy Marketing
Win Colwill, League of Women Voters

APPROVAL FOR THE MAY 7, 2009 MEETING MINUTES

The May 7, 2009 meeting minutes were approved by voice vote on a motion by Dick Parker and a second by Bob Roper.

FINANCIAL REPORT

a) Financial Update – The Board received the monthly financial statements ending April 30, 2009.

Water and Electric Utility combined operations reflect an operating income of \$2,238,385 for the seven months ended April 30, 2009; compared to an operating income of \$4,529,767 for the same period last year. This is a decrease of \$2,291,382.

The Water Utility has an operating loss of \$1,072,314 for the seven months ended April 30, 2009; compared to an operating income of \$69,645 for the same period last year. This is a decrease of \$1,141,959 in operating income.

The Electric Utility has an operating income of \$3,110,699 for the seven months ended April 30, 2009; compared to an operating income of \$4,460,122 for the same period last year. This is a decrease in operation income of \$1,149,423.

Operating revenues of the Electric Utility are up \$3,454,096 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$4,044,187. Fuel and Purchased power costs have increased \$3,058,146.

- a) Jim Windsor reported that water revenue is a concern. If the summer is cool and wet the estimated revenue will be lower than what was projected. He said that the May revenue totals

were not available yet. Assuming zero growth, the projected water revenues will be the same for next year.

- b) Jim indicated that there has been no interest revenue from bond sales, however there will be interest revenue when they are sold.
- c) Regarding electric revenue, Jim said since the utility started working with MISO we have been paying less than \$30,000 per month for transmission costs. Mr. Parker asked how much transmission revenue was being generated and Jim said about \$3.5 million last year.
- d) Jim said that the budget is divided into; CIP amounts, supplemental items such as capital items and employees, and Operation & Maintenance items. He said the utility will meet with the City Manager to discuss the budget before the City Manager presents it to the public, prior to a September vote to pass the budget. The Board will be able to review the budget after the discussions with the City Manager have taken place.

COLUMBIA ENERGY CENTER

Kraig Kahler introduced Tom Leigh and Dennis Beutler with Ameren Energy Marketing. Kraig went over a PowerPoint presentation of the Integrated Resource Plan that he will present at the Council Retreat. Burns & McDonnell had recommended that Water & Light purchase and install 2 Wartsila reciprocating engines by 2012. The units would provide an additional 17 MW's of generation capacity. The estimated cost of the two generators is \$19,400,000 or \$1,155 per kW. Ameren Energy marketing has offered to sell Water & Light 2 combustion turbines for \$17,990,000 or \$499.72 per kW. Water & Light would be able to purchase more than double the capacity of the Wartsila units at a lower cost.

At the May 7, 2009 Advisory Board meeting there was discussion about how this substitution would change the Integrated Resource Plan. Since the last meeting Burns & McDonnell was asked to provide a financial analysis to compare the two proposals. They projected the utility would save \$6.5 million over 20 years by accepting Ameren's offer.

Mr. Kahler said that the Forecasted Load Chart shows the utility retiring the coal fired units by 2015 although the utility would prefer not to retire them for two reasons. 1) The coal fired units will also burn wood which will allow us to meet the mandated renewable energy requirements. 2) Much of the COLT Railroad's business is derived from coal shipments.

Mr. Beutler said the operation and maintenance costs would be significantly lower with the combustion units Ameren is offering. Mr. Parker questioned the projected fuel costs saying they seemed unrealistically low. Mr. Kahler said the figures were obtained from the federal government and Mr. Windsor said that since the units will be used primarily for peak consumption, those costs, even if higher, will not significantly alter the O & M costs.

Mr. Baumgardner said it might be advantageous for the utility to purchase the fourth unit that Ameren has available at the Columbia Energy Center. Mr. Kahler said the three units would be more than enough to supply the city's capacity needs. He said if the fourth unit was purchased by another city, for example, then it might be possible for the city to take over O & M for that unit as well and could recover any costs incurred.

Mr. Roper questioned Burns and McDonnell's analysis showing a projection of 200MW of wind energy. Mr. Kahler said it was figured in because the utility is mandated to meet the renewable requirement anyway so meeting the requirement with wind energy is a possible scenario. Mr. Roper requested copies of the PowerPoint presentation.

Mr. Conway asked if bonds would be necessary to pay for the turbine acquisition. Mr. Kahler said the funds will be available through loans from local banks, MPUA, and rate increases. Jim Windsor said a cost of service analysis would be completed before rates are adjusted.

Tom Baumgardner motioned to proceed with acquiring the second and third combustion units from Ameren Energy Marketing and present the Board's recommendations to the City Council. Mr. Roper seconded the motion and the motion passed with 3 ayes and two nays.

COAL CONTRACT

Mr. Kahler said that a two year coal supply contract is being finalized with Massey Utility Sales. A second RFP produced more desirable quotes after all of the quotes from an earlier RFP were rejected.

DEMAND SIDE MANAGEMENT PROPOSAL (DSM)

Mr. Kahler went over a PowerPoint presentation to explain the DSM proposal. The key elements of the plan are:

- a) Expand the existing rebate and loan programs
- b) Procurement of a software program to measure program progress
- c) Hire three additional employees

Mr. Kahler said the benefit to the utility can be identified by applying the benefit/cost ratios. Mr. Roper asked how the plan would be funded. Mr. Kahler said through the rate payers and through cost avoidance. Mr. O'Conner asked why the software costs were so high. Tina Worley said the software is very complex but very worthwhile as it would streamline DSM analysis. It is possible the software will be shared with other cities as several have expressed interest.

Mr. Parker moved to advance the plan to the City Council. Mr. Baumgardner seconded the motion. The motion passed with four ayes and one nay.

RENEWABLE UPDATE

Mr. Kahler said that 6.6% of the City's energy requirements were met with renewable sources. With the current portfolio the mandate should be satisfied when the required percentage ramps up.

NEW BUSINESS

Mr. Kahler told the Board that a Prairie States tour of their mine-mouth facility has been arranged for June 25, 2009. He would like the members to let Marilyn Thorpe know if they will attend.

OLD BUSINESS

Tom O'Connor asked about the current status of the Source Water Protection Plan. Floyd Turner said the plan is still in the development stages.

Next meeting date: July 2, 2009 at 8 a.m.

The meeting adjourned at 9:30 a.m.

Respectfully Submitted,