

Water and Light Advisory Board
January 19, 2010

A special meeting of the Water and Light Advisory Board was held January 19, 2010 at 8:00 a.m. at the Utility Services Conference Room, 105 E. Ash St. 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
Ryan Williams, Acting Engineering Manager - Electric
Jim Windsor, Manager of Rates and Fiscal Planning
Tina Worley, Utility Services Manager
Tad Johnsen, Power Production Superintendent
Dan Stokes, Electric Distribution Manager
Connie Kacprowicz, Utility Services Specialist
Marilyn Thorpe, Administrative Support Supervisor
Pam Mathews, Administrative Support Assistant
Dick Malon, Consultant
Dennis Beutler, Ameren Energy Marketing

JANUARY 5, 2010 MEETING MINUTES

Dick Parker requested the January 5, 2010 minutes be amended.

COLUMBIA ENERGY CENTER AGREEMENT

Mike Schmitz said that the City Council voted 5-2 in favor of proceeding with the 25% share of the Columbia Energy Center and directed Water & Light staff to assemble the contracts for their review. He added that the contracts have been thoroughly reviewed by Dick Malon and Hank Stoltz, a legal consultant for the City. Mr. Schmitz said that a PowerPoint presentation had been prepared to summarize the proposed purchase.

The PowerPoint presentation was divided into the following categories:

- Load Projections
- Forecasted Load and Resources
- Overview of the Columbia Energy Center
- Areas of Risk
- Summary of Advantages
- Financing Options

Mr. Schmitz said the Midwest Independent System Operator (MISO) will continue to dispatch the Columbia Energy Center (CEC) in the MISO market. John Conway asked Dennis Beutler what Ameren's motivation is to sell the CEC. Mr. Beutler responded that the new company president reviewed all of Ameren's resources. He said he wants to trim down the fleet they manage, which is now being done with a reduced staff. The current shift to selling a standalone facility is a reflection of the current economic times.

There was some discussion about gas supply for the turbines. Dick Malon said that the ownership of the pipeline is part of the project. Mr. Beutler said that it is possible to buy firm transportation for the pipeline. As it stands we will have dispatch capability. Mr. Parker asked what it would cost to have a guaranteed supply. Mr. Beutler said he does not have the exact figures but said it would be expensive. Mr.

Malon pointed out that the units historically run in summer when the gas usage is low. Mr. Schmitz agreed by saying our usage doesn't peak in the winter so it is not considered to be a large concern.

With regard to financing options, Bob Roper pointed out that the utility will still be above target levels for retained earnings reserves after the purchase.

At the conclusion of the PowerPoint presentation Mr. Schmitz said that after a thorough review, staff is recommending that Council proceed with the purchase.

Ryan Williams, per Tom O'Connor's request, provided cash flow diagrams to demonstrate the break even point of the project. Mr. Parker said that the Wartsila option appears to be more attractive over the long-term because of fuel costs. Mr. Williams said that the Integrated Resource Plan (IRP) was the basis for the comparison which is predicated on current usage levels. Mr. Williams discussed a memo that addressed concerns about inaccuracies in a paper Mr. Parker presented on October, 2009. He said that the utility cannot buy power without the capacity to back it up. He said even with the CEC purchase, projections show we could still have capacity issues in the future. Mr. Malon said renewables may not supply our needs but the added capacity will give us enough credit to pursue additional renewable power options. Mr. Schmitz said currently, we can purchase both capacity and power from MISO and/or Ameren. MISO allows up to three year contracts for capacity purchase. Mr. Schmitz said that Sega Engineering and Technical Services had completed its Due Diligence Report and the report was positive. Mr. Conway wanted to clarify that the contract amends the existing agreement. Mr. Schmitz said it does. He went on to say that the agreements were written so after the third share purchase and subsequent sale of the fourth share, a new agreement will not have to be drawn up. Dennis Beutler concurred, saying that it is written in the agreement for Ameren to operate the center but when the fourth share is sold, the majority operator would take over operations. Ryan Williams asked Mr. Beutler what is the minimum output of one unit. Mr. Beutler said the minimum is 75% of the maximum load. Mr. Parker asked about the potential of converting to combined cycle generation at the CEC site. Mr. Schmitz said no directive was given to Sega to study that issue. Mr. Beutler said combined cycle generation would be feasible but not deemed profitable at the time of Ameren's own review, done prior to the Sega study.

Mr. Roper made a motion and Mr. Parker seconded the motion to recommend to the City Council to execute the contracts for the purchase of the Columbia Energy Center additional 25%. The motion passed with a unanimous vote.

Mr. Roper said that Water & Light staff and the consultants did a commendable job working on the proposal. He thanked Mr. Malon and Mr. Beutler for their attendance. He felt that the City is getting a good deal and that the extra capacity would be a good hedge.

Mr. Schmitz said the Renewable Requests for Proposals (RFP's) would be available for the Board's review at the February meeting and possibly some recommendations from staff will be made.

Mr. Schmitz said that City Council asked W&L staff to review Mr. Parker's 80% Carbon Free analysis and present their findings. Mr. Williams asked Mr. Parker if it would be acceptable to adjust some of the numbers to reflect the actual load duration. Mr. Parker said that would be okay.

The next regular meeting will be Tuesday, February 2, 2010 at 8 a.m. in the Utility Services Conference Room, 105 E. Ash St., Columbia, Mo.

The meeting adjourned at 9:15 a.m.

Respectfully submitted,