

Water and Light Advisory Board
October 12, 2010

A meeting of the Water and Light Advisory Board was held Tuesday, October 12, 2010 at 8:00 a.m. at the Utility Services Conference Room, 105 E. Ash St. The meeting was attended by:

John Conway, Chair
Tom Baumgardner, Member
Tom O'Connor, Member
Dick Parker, Member
Bob Roper, Member
Tad Johnsen, Water and Light Director
Dave Storvick, Engineering Manager
Jim Windsor, Manager Rates and Fiscal Planning
Christian Johannmeier, Acting Power Production Superintendent
Tony Cunningham, Acting Electric Distribution Manager
Tina Worley, Utility Services Manager
Floyd Turner, Manager, Water Operations
Dan Stokes, Energy Services Superintendent
Tracy Frevert, Administrative Support Assistant
Johanna Somers, *Columbia Missourian*
Amy Couch, journalism student

APPROVAL OF THE SEPTEMBER 7, 2010 MEETING MINUTES

The September 7, 2010 meeting minutes were approved as modified by voice vote on a motion by Dick Parker and a second by Bob Roper. Mr. Parker suggested prompt posting both draft minutes and approved minutes and requested an explanation at the November, 2010 meeting of how minutes are currently posted.

FINANCIAL REPORT

Tad Johnsen and Jim Windsor reviewed the monthly financial statements ending August 31, 2010.

Water and Electric Utility combined operations reflect an operating income of \$6,034,660 for the eleven months ended August 31, 2010; compared to an operating income of \$7,105,143 for the same period last year. This is a decrease of \$1,070,483.

The Water Utility has an operating income of \$1,847,426 for the eleven months ended August 31, 2010; compared to an operating loss of \$162,300 for the same period last year. This is an increase of \$2,009,726 in operating income.

The Electric Utility has an operating income of \$4,187,234 for the eleven months ended August 31, 2010; compared to an operating income of \$7,267,443 for the same period last year. This is a decrease in operating income of \$3,080,209.

Operating revenues of the Electric Utility are up \$7,298,358 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$8,851,796. Fuel and Purchased power costs have increased \$7,052,040.

Mr. Johnsen provided several reasons why costs for July and August were low: the 265 megawatt peak was lower than projected so the utility did not have to purchase the expensive energy, and both market energy prices and natural gas prices remained low.

Discussion followed concerning operating expenses, cash reserves, the retained earning figure, and the cost of reading electric and water meters.

NEW BUSINESS

a) FPC Solar Project – Mr. Johnsen updated the Board on The Free Power Company’s (FPC) proposal to provide a solar photovoltaic renewable energy power solution for Water and Light. The proposal offers to meet at least 20% of Columbia’s renewable energy for a period of at least 20 years, at an effective average cost. The base cost for 2011 would be \$51.00/MWH, with an annual CPI escalator thereafter. FPC will provide solar power modules and inverters as well as system design, engineering, installation and remote monitoring. Water and Light will provide available land, clearing bushes and trees, fencing and gating, meters and transformers and running power lines to the inverters. Costs to consider include interconnection costs, land development costs, and Solar One program considerations.

Tom O’Connor made a motion, seconded by Dick Parker, for Water and Light staff to pursue the development of a contract with the Free Power Company with due diligence. Motion was approved.

b) Donation Levels for Solar One FY 11 – Mr. Johnsen reported that after recently adding Purchase Power Agreements (PPAs) for solar energy from Bright City Lights and Quaker Oats, staff has determined an Ordinance change is needed in monthly fees that the utility collects in order to maintain a balance between revenue and expenditures for the Solar One Program. Solar One fees are charges that are added to monthly utility bills of customers who voluntarily sign up for locally produced solar energy. The new PPAs were previously approved by the Board. They will decrease the overall per unit cost of solar energy for the program and allow the utility to reduce its monthly assessment from \$4.00 per month to \$3.35 per month.

Tom Baumgardner made a motion, seconded by Bob Roper, to recommend the Council approve the ordinance changing the Solar One fees from \$4.00 per month to \$3.35 per month. Motion was approved.

OLD BUSINESS

No old business.

DIRECTORS REPORT

a) Project Update – Mr. Johnsen distributed and reviewed a handout updating several Water and Light projects.

Power Plant Study - Information is still being gathered for the Power Plant Study. New federal and state regulations are emerging dealing with the Clean Air Transport Rule, Utility MACT and coal combustion by-products which will affect the study. Water and Light will be able to provide more information in 6-8 weeks, and hope to identify 2-3 paths to follow.

South Substation and Line Routing Study - Water and Light has acquired the property located on Peach Ct. Staff has identified approximately 1800 property owners that may be affected by the installation of the new line sections. Three open houses will be hosted October 26-28 by staff and members of the consultant, SEGA, to gather feedback from the public to complete the routing study matrix. Once the matrix is complete three final routes will be presented to the Board for review.

Iatan II Generation – The project is currently in the test power phase with commercial operation to begin December 2010. The Power Exchange Agreement with the Missouri Public Utility Alliance has been executed to address MISO transmission issues for delivery on this power. The overall cost of the project does not have any substantial expected changes.

Prairie States I and II Generation – The Unit I scheduled for startup power has slipped to June 2011 with commercial operation September 2011. Unit II is scheduled for startup power in February 2012 with commercial operation May 2012.

Water Bond Projects – All projects are moving forward. Of particular importance will be the Hominy Creek Trail on which Water and Light, Parks and Recreation, and Public Works will combine their efforts to complete the East Transmission Main project with little disruption to Hominy Creek.

Water Treatment Plant Study – The final screening workshop was conducted in October. Carollo will provide their final draft of the report in November.

b) Demand Side Management (DSM) Programs Report – Mr. Johnsen reviewed the year-to-date activity for major DSM programs. He noted that funding of the loan program should be available through the end of the year, but the Board needs to determine the future of the program. To aide the determination, Staff will provide estimated energy savings from the program.

c) Renewable Energy Report – Mr. Johnsen reviewed a spreadsheet on Wind Energy Data and an additional spreadsheet of all renewables. The Calendar YTD Renewable Percentage of System at the end of September is 4.8%.

d) Electric Rate History/Rate Design – Jim Windsor, Manager of Rates and Fiscal Planning, reviewed Water and Light’s rate design process. He explained the long term financial planning process and how to develop a rate track. He provided an explanation of rate objectives, rate structures and customer classes, and Water and Light’s rate history.

Discussion followed concerning customer classes. Mr. Johnsen commented that the next step is getting a Request for Proposal (RFP) to the Board to study.

e) GHG Emission Factors - Mr. Johnsen reviewed Missouri’s emissions profile. The Board appreciated the information but asked for more local data.

f) Board Calendar – Staff developed a calendar of annual agenda items for the Board, which Mr. Johnsen noted was open for editing. It was suggested to add to April and May, “Draft CIP and Budget Report” and to modify June to read “Proposed CIP Report (approval)” and August to read “Proposed Budget Report (approval).

g) Annual Usage Report – Mr. Johnsen reviewed the annual water and electric usage reports. Discussion followed.

Mr. Johnsen notified the Board that the NERC audit is complete. He will continue to provide the Board with information.

CHAIRMAN’S REPORT

John Conway reported on the Missouri Public Utility Alliance (MPUA) annual conference. He noted that MPUA is again in the financing business. He provided a program overview, and particularly enjoyed the presentation on managing utilities under Missouri’s Hancock Amendment.

Next meeting date: Tuesday, November 2, 2010 at 8 a.m. in the Utility Services Conference Room, 105 E. Ash St., Columbia, MO.

The meeting adjourned at 9:45 a.m.

Respectfully submitted,