

Water and Light Advisory Board  
November 5, 2009

A meeting of the Water and Light Advisory Board was held November 5, 2009 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  
Dave Storvick, Acting Engineering Manager - Water  
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  
Karl Skala, City Council Member – Ward 3  
Winn Colwill, League of Women Voters

**APPROVAL FOR THE OCTOBER 1, 2009 MEETING MINUTES**

The October 1, 2009 meeting minutes were approved as amended by voice vote on a motion by Dick Parker and a second by Bob Roper.

**DIRECTOR'S REPORT**

a) Ameren Contract Clause – Mike Schmitz said that Ameren has been paying a fixed transmission fee to Columbia Water & Light to transmit energy across our lines. Ameren was paying for the right to connect to the grid, or a wheeling fee. Ameren has asked to stop paying the monthly fee now that we have joined MISO. Jim Windsor said that we are receiving between \$2.5 and \$4 million per year from MISO. Columbia Water & Light collects fees from several other entities for network services. We have other grandfathered agreements that existed before we joined MISO. Some agreements were changed and others are now covered by MISO. Mike Schmitz said the bottom line is that neither party, either CW&L or Ameren would be penalized for joining MISO.

b) TEA Risk Management – Mike Schmitz said that currently CW&L pays \$.50 per MWh for every transaction negotiated by TEA. TEA has offered the option of monitoring our portfolio for us and paying a fixed price when the deals are made. They will also provide a risk model. Mike said staff feels it will be better in the long run to pay a fixed cost. Tom O'Connor asked if a break even point had been figured. Jim Windsor said no. Jim said that after the Ameren contract ends we will face some very dynamic times. The risk model will provide better information about projections and market conditions. Dick Parker asked if the charges for the model and the service are separate. Jim said yes and that the risk management contract would be renewed yearly. Mike Schmitz said many public power organizations are now using TEA because TEA can bring exposure to markets that CW&L doesn't have the resources to deal with. Tom Baumgardner asked how big the margin is. Jim Windsor said it depends on natural gas prices and other variables. Mike Schmitz said he expects that when the Prairie States and Iatan II units come online we will be approached by cities and organizations that would like to purchase power. In light of this information Tom Baumgardner said we should take advantage of the favorable margins while we can. Jim Windsor agreed, stating that the primary purpose of the contract would be to minimize risk. Dick Parker requested an annual

report comparing the costs of paying \$.50 per megawatt hour versus the flat fee. Mr. Parker made a motion to go ahead with the model and contract with an annual comparison report. Bob Roper seconded the motion. The vote was unanimously in favor. Tom O'Connor requested a TEA report of our transactions costs to date. John Conway requested a summary report at the next meeting. Mike Schmitz said an annual report would be done at the end of each fiscal year.

## **FINANCIAL REPORT**

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

Water and Electric Utility combined operations reflect an operating income of \$7,938,502 for the year ended September 30, 2009; compared to an operating income of \$10,064,083 for the same period last year. This is a decrease of \$2,125,581.

The Water Utility has an operating loss of \$170,015 for the year ended September 30, 2009; compared to an operating income of \$463,026 for the same period last year. This is a decrease of \$293,011 in operating income.

The Electric Utility has an operating income of \$7,768,487 for the year ended September 30, 2009; compared to an operating income of \$9,601,057 for the same period last year. This is a decrease in operation income of \$1,832,570.

Operating revenues of the Electric Utility are up \$4,418,813 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$5,792,940. Fuel and Purchased power costs have increased \$4,180,524.

b) Jim Windsor said water revenues were a little better. Electric did well because we have been selling power in the MISO market. Water sales are dependent on weather and the summer was cool and wet for the second year in a row. Jim said \$15.5 million was added to retained earnings the last fiscal year. Bob Roper commented that pre tax returns looked to be historically low on the water side. Jim confirmed that was true. Mike Schmitz said a committee is being formed to look at expenses and ways to increase revenue streams on the water side. A report will result that will be forwarded to the Board. Dick Parker inquired about PILOT numbers. Jim said revenue PILOT is added to the customers' bills. Jim said PILOT as an expense is a combination of what is added to the customers' bills and property tax and that goes back to the general fund as is written in the City Charter. Mr. Parker wondered if PILOT could be uncoupled and used differently. Mike Schmitz said if he was thinking of having the committee look into that in order to increase revenues, it is not what the committee is tasked to do. PILOT issues are mandated by City Charter and any changes would require a vote by the citizens of Columbia. Jim Windsor said there had been some recent comments by Mayor Hindman regarding Demand Side Management's (DSM) influence on PILOT but it was addressed to Council in a memo and was addressed with future projections. John Conway said that fixed costs and variable costs need to be further analyzed and adjusted while incorporating conservation measures. Mike Schmitz said the committee will investigate ways to reduce expenditures and increase revenues.

## **CHAIRMAN'S REPORT**

a) Renewables - John Conway reported that he attended the groundbreaking ceremony for the landfill gas-to-electricity and heat project at the Jefferson City Correctional Center on October 19. He said the City receives 3.2 megawatts of power from the plant.

b) John Conway said the he; Dick Parker, Tina Worley and Ryan Williams are scheduled to attend a meeting about DSM Forecasting in Austin, Texas on November 23.

### **NEW BUSINESS**

- a) Renewable RFP – Mike Schmitz said that we are currently meeting the standard regarding our renewable portfolio. Associated Electric has offered to extend the Bluegrass Ridge Wind Farm contract to allow us to take the full 6.3 MW. This will help to defray the transmission charges that we already pay. Mike said we have also been approached by several firms in Iowa wanting to sell us renewable energy. He said staff plans to issue a Request for Proposal (RFP) for renewables for mid to long-term contracts. In addition to continuing to meet our portfolio requirements in the future it will be good to compare different types of renewables that the MISO recognizes and see which emerging technologies have promise.
- b) PURPA – John Conway said that the Water & Light Advisory Board will hold a Public Hearing regarding the Public Utilities Regulatory Policies Act (PURPA). He said Board member Tom Baumgardner will chair the federally mandated meeting on Wednesday, November 11 at 6:00 p.m. in the City Council Chambers. John asked that the Board members review the information they received and forward their comments to the meeting chairman in time for the meeting.

### **OLD BUSINESS**

- a) Water Protection District Committee – Dick Parker asked who the members are going to be. Mike Schmitz said that since it is going to be a county-wide issue they will need to be working with the Department of Natural Resources (DNR) and others. Dave Storvick said the ad-hoc committee has been formed to prepare a report with risk assessments for the Board to review regarding a source water protection plan.
- b) Mike Schmitz said the University of Missouri has finished testing and a final report has been issued to the Council on the total trihalomethane (TTHM) issue. The chloramine conversion is now complete. Environmental Protection Agency (EPA) testing indicates that TTHM's dropped approximately 50%. Tom O'Connor asked why it seemed that the report referred to the chloramination as a temporary fix. Mike Schmitz explained that since we are not completely finished with the treatment method analysis, we did not want the chloramination to preclude the use of other methods of disinfection.
- c) John Conway reported that the Well #16 project is on hold. Per the City Council meeting on November 2, staff is to come up with a comparison of alternate sites for Well #16. The Environment and Energy Commission (EEC) suggested several sites. Landowners will be canvassed and the sites will be assessed. The information gathered will go back to the City Council for consideration. Well #16 will no longer be eligible for low interest loans since it would have had to be under contract by January in order to be eligible for those state revolving funds.

Guest Win Colwill announced that the League of Women Voters is co-sponsoring a Community Forum on Clean Energy at Stephens College, Windsor Auditorium on Tuesday, November 10 at 6:30 p.m. On Tuesday, November 17 at 6:30 p.m. they will present "Green Power Update Alternatives for Columbia" at the Columbia Public Library Friends Room. Renewable energy will be discussed and Columbia Water & Light's Jay Hasheider will be among the guest speakers.

John Conway said that Tom O'Connor asked about changing meeting dates to the first Monday, Tuesday or Friday of the month. After some discussion Dick Parker made a motion to hold the meetings on the first Tuesday of every month at 8:00 a.m. Tom O'Connor seconded the motion. The motion passed with four votes in favor and one opposed.

Next meeting date: December 1, 2009 at 8 a.m. in the Utility Services Conference Room, 105 E. Ash St., Columbia, Mo.

The meeting adjourned at 9:50 a.m.

Respectfully submitted,