

Water and Light Advisory Board
December 7, 2010

A meeting of the Water and Light Advisory Board was held Tuesday, December 7, 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 Johanninger, Acting Power Production Superintendent
Tony Cunningham, Acting Electric Distribution Manager
Ryan Williams, Assistant Water and Light Director
Floyd Turner, Manager, Water Operations
Marilyn Thorpe, Management Support Specialist
Tracy Frevert, Administrative Support Assistant
Win Colwill, League of Women Voters

APPROVAL OF THE NOVEMBER 2, 2010 MEETING MINUTES

The November 2, 2010 meeting minutes were approved by voice vote on a motion by Dick Parker and a second by Bob Roper.

FINANCIAL REPORT

Tad Johnsen and Jim Windsor reviewed the preliminary, unaudited draft balance sheet for October 31, 2010 and 2009.

Water and Electric Utility combined operations reflect an operating income of \$1,470,908 for the month ended October 31, 2010; compared to an operating income of \$136,026 for the same period last year.

The Water Utility has an operating income of \$524,282 for the month ended October 31, 2010; compared to an operating income of \$375,331 for the same period last year.

The Electric Utility has an operating income of \$946,626 for the month ended October 31, 2010; compared to an operating loss of \$239,305 for the same period last year.

Operating revenues of the Electric Utility are up \$1,231,740 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are down \$38,884.

Mr. Johnsen noted that the 10% water rate increase was reflected in a 9% increase in water revenues in October. Also, electric sales are up due to an increase in both residential and commercial usage compared to the same period last year.

NEW BUSINESS

a) Columbia Energy Center – Mr. Johnsen reviewed four options regarding Ameren Energy Generating Company's (AEM) full ownership offer of the Columbia Energy Center (CEC). CEC is made up of four 36

MW simple-cycle combustion turbines for a total rated capacity of 144 MW. AEM owns 75% of CEC and Columbia Water & Light owns the other 25%. AEM operates the facility and will continue to do so while they have an ownership interest in CEC. Water & Light has contractual rights to an additional 50% of CEC. These contractual rights include an ownership option with purchase at established dates and price and/or to extend or terminate the contract at established dates. AEM has expressed an interest and presented options that would allow Water & Light to purchase the 50% currently under contract, and the remaining 25%.

At this time the four best evaluated options are:

- 1) current agreements – no purchase
- 2) current agreements - purchase
- 3) incremental ownership
- 4) full ownership

Options 2 and 4 have the best evaluated value for the city. Staff favors option 4 because it has the lowest cost of ownership and provides long term reliability for the system. Either options 2 and 4 would require financing via a bond proposal in April 2011. The current agreement purchase option requires notification of intent of the first purchase by June 2011. The full ownership option should be purchased as soon after financing is assured to minimize any additional assessment of cost of capital from AEM. Discussion followed.

Tom Baumgardner made a motion to recommend staff proceed to further investigate options with Ameren Energy Generating Company. Bob Roper seconded the motion, which passed with a unanimous vote.

OLD BUSINESS

a) Solar Lease – Mr. Johnsen reviewed the Lease Agreement for Photovoltaic Energy with Free Power Company. All energy will be delivered directly to the Columbia Water & Light electric system. The agreement states the City will pay Free Power Company based on the energy delivered by the systems. The initial rate is \$54/MWh with a 1.75% annual escalation. The City will be responsible for site selection, site preparation and electric service to the interconnection point. Free Power Company will be responsible for supplying, installing and maintaining the photovoltaic system equipment.

Dick Parker made a motion to recommend that the council authorize the City Manager to sign a Lease Agreement for Photovoltaic Energy with Free Power Company. Tom O'Connor seconded the motion, which passed with a unanimous vote.

b) Lime Residuals Remediation – Mr. Johnsen and David Storvick, Engineering Manager, summarized Midwest Environmental Consultants' proposal for the remediation of stockpiled lime softening residuals on the McBaine Water Treatment Plant property. Midwest Environmental Consultants has agreed to provide the professional engineering services for design and construction management for the installation of the soil cap over the lime softening residuals in an amount not to exceed \$101,880. These services include a pre-design phase which includes geotechnical investigations and field surveys, a design phase which includes the development of the remediation plan, and a construction phase which includes bid process assistance, resident engineering services and materials testing, project closeout and final permitting with the Missouri Department of Natural Resources.

Dick Parker made a motion to direct staff to execute an engineering services agreement with Midwest Environmental Consultants for the remediation of the stockpiled lime softening residuals at the McBaine Water Treatment Plant in an amount not to exceed \$101,880. Bob Roper seconded the motion, which passed with a unanimous vote.

DIRECTORS REPORT

a) Loan Fund – Mr. Johnsen reported that staff has completed a comparative analysis of 402 residential customers participating in the Energy Conservation Loan Fund program. The analysis showed a reduction of 18.1% in the amount of energy used.

Based on current loan rates and payback, staff estimates that a maximum of \$5 million over the next 2 to 3 years would put the loan fund at a point where it could sustain a \$300,000 per month loan rate as a revolving loan program. With current remaining funds available for loan, the program will only be able to meet requests through January, 2011. Staff recommends adding \$1.5 million to the loan fund before the end of January 2011. Discussion followed.

Dick Parker made a motion, seconded by Tom O'Connor, that staff recommend that council add \$3 million to the loan fund before the end of January 2011. Following discussion, Mr. Parker withdrew his motion.

Tom O'Connor made a motion, seconded by Tom Baumgardner, that staff recommends that council add \$1.5 million to the loan fund before the end of January 2011. Following discussion, Mr. O'Connor modified his motion to read that staff recommends that council add \$1.5 million to the loan fund, and if further funds are needed, will re-evaluate the program and request additional funds. Motion passed unanimously.

b) Energy Challenge – Water & Light was awarded a Missouri Department of Natural Resources Energize Missouri Homes Grant, but was unsuccessful in reaching an agreement regarding the contracts necessary for this program and will not be able to proceed.

c) Green House Gas Emissions – At the November 2, 2010 Advisory Board meeting, Mr. Roper requested a copy of the Council's resolution endorsing the U.S. Mayors Climate Protection Agreement. Mr. Johnsen reviewed the document and discussion followed.

d) Renewable Standard - Mr. Johnsen reviewed Columbia's renewable energy and noted that the Solar Lease Agreement will make an impact on these figures.

Tad Johnsen informed the board that staff is planning to present an update on the Water Finance Plan. It should be available at the next meeting.

Mr. Johnsen will schedule Mr. Parker to meet with staff to finalize a renewable energy rate impact report to review at the next meeting.

Mr. Johnsen noted that most of the positions have been filled in the Source Water Protection Plan Task Force. Floyd Turner has been identified as the Staff Liaison to this task force and will be sending out letters scheduling the meetings to begin in January/February next year.

Jim Windsor, Manager Rates & Fiscal Planning, reviewed the year-to-date activity for major Demand Side Management programs. He noted that two new information lines were added to the report that track the amount of customer investment with, and without participating in the loan program. Another new addition to the report is a graph of the monthly amount of energy conservation loans.

Mr. Johnsen reported on the status of the South Substation and Line Routing Study.

CHAIRMAN'S REPORT

Nothing to report.

All board members are invited to the Water & Light Department's holiday luncheon, Thursday December 23 at the Heuchan Building.

Next meeting date: Tuesday, January 4, 2011 at 8 a.m. in the Utility Services Conference Room, 105 E. Ash St., Columbia, MO.

The meeting adjourned at 9:30 a.m.

Respectfully submitted,