

Water and Light Advisory Board  
February 2, 2010

A meeting of the Water and Light Advisory Board was held Tuesday, February 2, 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  
Floyd Turner, Manager, Water Operations  
Connie Kacprowicz, Utility Services Specialist  
Marilyn Thorpe, Administrative Support Supervisor  
Pam Mathews, Administrative Support Assistant  
Win Colwill, League of Women Voters

**APPROVAL FOR THE January 5, and January 19, 2010 MEETING MINUTES**

The January 5, 2010 meeting minutes were approved as amended by voice vote on a motion by Dick Parker and a second by Tom O'Connor.

The January 19, 2010 meeting minutes were approved as amended by voice vote on a motion by Dick Parker and a second by Tom O'Connor.

**DIRECTOR'S REPORT**

a) Power Plant Emission Analysis – Mike Schmitz referred to a memorandum from Tad Johnsen dated January 4, 2010, detailing the utility's status with the Acid Rain Program (ARP) and the Clean Air Interstate Program (CAIR). The utility will sell enough sulfur dioxide (SO<sub>2</sub>) allowances to pay for nitrogen oxide (NO<sub>x</sub>) emissions. Tad Johnsen said this is the next phase of the environmental emission market transactions. We have had some unused SO<sub>2</sub> allowances since 2007. Some discussion followed about our ability to continue trading allowances and the nature of the credits that are received. Mike Schmitz explained that the credits will continue as long as we are burning low sulfur coal. We will be able to offset NO<sub>x</sub> deficit allowances with the surplus of SO<sub>2</sub> allowances. Tad Johnsen said we will probably have a new compliance plan within the next three years. Jim Windsor said that because it is a direct trade of allowances, the transaction will not appear on the financial reports. Mr. Johnsen said the credits do not expire.

b) Funding of Energy Conservation Loan Program – Mike Schmitz said that the utility is currently obligated for more than was authorized by Council. It will be necessary to ask Council to authorize an increase in available funds. Mr. Schmitz cited one possible reason for the increase in the number of loans is that the downturn in the economy has resulted in area contractors promoting the programs to their customers. Staff feels that an additional \$3 million is needed. Mr. Parker said he thinks that Home Performance with Energy Star is a significant driver and he thinks the utility will see more applications for these loans. He asked if \$3 million will be enough. Tina Worley said it is possible the utility will process 1,000 loans per year. Jim Windsor pointed out that the money is being lent and will be repaid, although the

interest rate is very low – currently at approximately one-half percent. He said the utility is proposing that the interest rates be raised in order to recoup some of the funds. Tina Worley said that a market assessment and saturation analysis will provide more definitive numbers by July. Mr. Windsor explained that the loans are not expenditures but come from a loan fund. Bob Roper said there should be a review of loans and rebates to be sure the utility remains fiscally healthy. Mike Schmitz said a Council Work Session is scheduled for February 22 to discuss the Demand Side Management (DSM) programs. The overall philosophy will be discussed as the utility moves forward with the loan and rebate programs. He said ultimately it will be up to the City Council to decide how much they are willing to invest in the programs. Mr. Roper wondered about the administrative costs. Mr. Schmitz said the data is still being analyzed. Mr. Parker said it will depend on how much they are willing to spend in order to save for the future. Mr. Conway said it would largely be driven by the cost to benefit ratio. Mr. Schmitz said the loan default rate is seven to eight percent but that there have been few foreclosures to date. Tina Worley said for a typical loan, by changing out a 3 ton 8 SEER unit to a 13 SEER unit, the homeowner saves 2300KWH per year. Jim Windsor said the impact on rates is yet to be determined.

Dick Parker made a motion to recommend the City Council authorize an additional \$3 million to the loan program. Tom O'Connor seconded the motion. The motion passed with a unanimous vote.

c) Ordinance Change for Loans and Rebates – Mike Schmitz said staff has prepared suggested changes to the sections of the City of Columbia's ordinances to codify loan amounts, loan criteria, and interest rates. Tina Worley added that all of the loans will be required to have the Home Performance with Energy Star Assessment. Mr. Parker suggested that duct sealing should be added to the parameters for commercial loans. Tom O'Connor asked if solar space heating would be covered. Tina said no. Mr. O'Connor asked how many homes in Columbia have all electric heat. Jim Windsor said approximately 5,000 to 6,000 homes. Mr. O'Connor asked what the upgrade path is for all electric heated homes. Ms. Worley said typically it would be heat pumps. Mr. Parker said that at some point the utility should review rebates in the commercial program. Tina Worley said the cost to benefit ratio is being evaluated. Tom O'Connor said he would like to see solar space heaters included in the program. Mr. Roper said it is his understanding that ordinance changes are the first step in the process.

Dick Parker made a motion to recommend that the City Council approve the proposed ordinance changes. Tom O'Connor seconded the motion. The motion passed with a unanimous vote.

d) 80% Carbon Free Electricity in 2020 – Mike Schmitz said Ryan Williams worked with Dick Parker in order to investigate the assumptions in the paper. He said that staff sees Mr. Parker's paper as an alternate Integrated Resource Plan (IRP). Mr. Parker said he was surprised that he overestimated the costs associated with biomass usage. He misunderstood some of the terms, namely capacity factors. Mr. Parker made a motion to do a study to convert to 100% biomass. Tom Baumgardner asked what would be the cost of such a study. Mr. Schmitz said several hundred thousand dollars; however, Segal is currently conducting a study which includes the future of biomass. A conversion to biomass would entail replacing boilers at the Power Plant. Ryan Williams said the IRP suggested using tire derived fuel (TDF) not 100% biomass. Mr. Parker said he thinks the conversion would save \$11 million per year over and above capital costs of \$240 million. Ryan Williams added that there would be no additional capacity. Mr. Conway proposed the Board decide at a later date on whether an additional study is warranted and what the components should be. Mike Schmitz said the study should be complete by this summer. Segal will look at what we can do with current regulations and equipment. Tad Johnsen said rehabilitation or modification of the current equipment will be the focus of the study. Mr. Parker said the issue should be dropped for now. Tom O'Connor motioned to have staff prepare a brief report on converting to biomass. There was no second to the motion. Tom Baumgardner asked if staff was overburdened. Mr. Schmitz said no, staff is busy but able to handle current responsibilities. He added that the study that is underway and past studies should provide the information the Board is seeking and as a natural part of the process it will be thoroughly assessed.

## **FINANCIAL REPORT**

- a) Financial Update – Mike Schmitz said that the Water Division is doing better than last year and that the Electric Division has fallen off a bit. The financial statement memo was available from Finance. A preliminary draft balance sheet was reviewed.
- b) Jim Windsor said remediation for city owned property where sludge has been dumped is considered an expense for FY09. Floyd Turner said they empty the sludge pits once or twice a year. Mike Schmitz explained that the Department of Natural Resources (DNR) issued a warning requiring remediation of the site. The land will have to be capped and seeded.

With regard to the balance sheets, Bob Roper commented that the reports have been preliminary for four months. Mr. Windsor said it could be due to the fact that the City has contracted with a new accounting firm. Tom Baumgardner said the Council should be made aware that accounting reports are lagging.

Mr. Parker said he expected a report outlining residential energy usage. Tom O'Connor said he'd like an overview of usage from low to high. Mr. Schmitz apologized and said he did not recall the request from the last regular meeting and the minutes did not reflect that a request was made. Jim Windsor said he would provide the requested information at the next meeting.

#### **CHAIRMAN'S REPORT**

- a) Director Selection Criteria – The Water & Light Director Selection Criteria report from the City Manager's office was distributed.
- b) Advisory Board Questionnaire – Mr. Conway said he would like the W&L Advisory Board members to email him with their suggestions in order for him to complete the survey by the deadline of February 26. Mr. O'Connor had several suggestions. He said the City Charter says the Board should report its findings annually to the people and City Council. He said he does not feel that has been done so far. Mr. Conway said the Board is in constant contact, however the Board should look at doing an annual report. Mr. O'Connor thought communications between the Board and City Council should be further defined and codified. He also said it should be defined how information from staff should be communicated to the Board through the chairman. With regard to qualifications, Mr. O'Connor said that particular areas of expertise should be required of the Board members. Mr. Roper disagreed and said he did not think that would work well for a small board. Mr. O'Connor listed issues that should be dealt with by the Board next year, such as: sustainability issues: smart grid: conservation: water quality goals: source water protection: and grant opportunities. Mr. Conway said that he would like all of the suggestions sent to him in an email. He pointed out that any desired changes to the City Charter would require a referendum.

Mike Schmitz reminded the board that it was time to elect the officers. Dick Parker made a motion to appoint John Conway as Chairman. Tom O'Connor seconded the motion. The motion passed with a unanimous vote.

Bob Roper nominated Tom Baumgardner as Vice-Chairman. Tom O'Connor seconded the motion. The motion passed with a unanimous vote.

#### **NEW BUSINESS**

- a) Renewable Energy Purchase – Mike Schmitz said the Requests for Proposals (RFP's) for the Purchase of Renewable Energy and the Purchase of Solar Energy are all in. Mr. Parker asked what the transmission costs would be. Jim Windsor said it depends on where the energy comes from but transmission charges are built in with MISO. Mike Schmitz said everything will be clarified with the Renewable Energy Report and schedule at the next meeting. Mr. Parker said wind speeds required for utility scale windmills information would be useful to include in the report. Mr. Schmitz concurred.
- b) Mike Schmitz distributed a Project Status Update to the Board and said they can expect regular status updates. Mr. Roper complimented the staff on their ability to accomplish a large volume of work, especially considering the complexity of many of the issues at hand.

**OLD BUSINESS**

a) Intermodal Facility Purchase – Mike Schmitz said because of prepayment penalties, interest, and fees for executing the transaction; City Council was asked to authorize additional funds of \$180,000 to close the loan with a payoff date of February 15, 2010. Council approved the amendments. A decision on whether to keep the facility or identify an operator will be made within the next few months as part of a Railroad Business Plan.

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

The meeting adjourned at 9:55 a.m.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Pam E. Matthews".