

Water and Light Advisory Board
April 6, 2006

The Water and Light Advisory Board was held April 6, at 7 a.m. at the Administration office on Seventh Street. Those in attendance were:

John Conway, Chair
Tom Baumgardner, Vice-Chair
Ernie Gaeth, Member
Greg Macias, Member
Bob Roper, Member
Dan Dasho, Director
Jim Windsor, Manager Rates/Fiscal Planning
Jay Hasheider, Utility Services Supervisor
Mike Schmitz, Chief Engineer
Floyd Turner, Water Operations Manager
Tina Worley, Utility Services Manager
Tad Johnsen, Power Plant Superintendent
Ben Johnston, Electric Distribution Superintendent
Marilyn Thorpe, Administrative Support Supervisor

Tony St. Romaine, Assistant City Manager
Jeff Grotzinger, Jacobs Engineering
Win Colwell, League of Women Voters

Tony St. Romaine was recognized by the Board and congratulated on his promotion to Assistant City Manager.

APPROVAL OF THE MARCH 2, AND MARCH 16, 2006 MEETING MINUTES: Minutes of March 2 meeting were approved unanimously on a motion from Bob Roper and second by Greg Macias. The minutes of the special meeting of March 16 were approved on a motion from Ernie Gaeth and second by Bob Roper.

FINANCIAL REPORT: The Board received a financial statement ending February 28, 2006. Water and Electric Utility combined operations reflect an operating income of \$2,106,578 for the five months ended February 28, 2006; compared to an operating income of \$441,379 for the same period last year. This is an increase of \$1,665,199.

Jim Windsor informed the Board that the cash position of the utility was up almost three million dollars. He said the Sikeston and Nearman power plants were down for maintenance and because of that we were buying power. He said that would impact our purchase power costs for the next couple of months. Dan said that since Nearman is 20 megawatts and Sikeston is 66 megawatts we were in the market place for energy on daily basis through MISO. He said we were buying in the day ahead market for the load that is needed.

CIP BOND PROPOSAL: Dan presented the board with a power point presentation on the CIP bond proposal.

Dan told the Board we get to this point by assessing how we have done in the past in different categories of spending; how we expect the expansion of the distribution system to go; how we expect the transmission system to change based on planning and analysis of that transmission system; and doing the best we can in terms of analyzing the projects and the dollars that are needed over the next five years. He said the total dollars needed for both bond and revenues was \$72,368,500.

These costs were broken down into the following categories:

- Expansion \$26,836,760
- Transmission Improvement \$8,200,000
- Transformers/Capacitor \$2,523,840
- Contingency \$2,590,400
- Upgrade Existing System \$9,850,000
- Reserve Requirement \$5,000,000
- Renewable Fuels \$3,000,000
- Distributed Generation \$2,000,000
- Street Lights \$1,000,000

Total Bonds for CIP \$55,000,000

Reserve Requirement \$5,000,000

Total Bond Proposal \$60,000,000

The next chart showed the expenditures anticipated from fiscal year 2006 through 2010 for each of the categories with 76% Bond funding:

- Distribution Transformers & Capacitors \$6,309,600
- Underground Conversion \$5,800,000
- Street Light Additions \$ Repair \$1,000,000
- Electric Connections \$2,650,000
- Transmission Maintenance \$1,250,000
- Retirement of Hulen Substation \$150,000
- Distribution Center/Pole Yard Changes \$400,000
- Maintenance of Existing Underground \$1,000,000
- Blue Ridge Substation Addition \$1,250,000
- Distributed Generator at Northwest Location \$900,000
- Landfill Gas Generator \$3,000,000
- Transmission Improvements \$12,450,000
- System Feeder Expansion \$5,900,000
- Residential Expansion \$5,200,000
- Commercial Expansion \$4,050,000

Dan said if the 76% bonding were done he would anticipate rate changes just for the bond issue of 2% per year from fiscal year 2007 through 2010.

After lengthy discussion Ernie Gaeth made a motion to recommend that City Council go forward with the 60 million dollar bond issue. Bob Roper made a second to the motion. Vote was unanimous.

DRAFT RESERVE PROPOSAL: Dan requested the Board give a recommendation on the Reserve Proposal presented to them at the last Board meeting. Dan said staff would like to have a specific policy in place that we can take to the bonding people to show them that we have a reserve policy.

Tom Baumgardner made the motion to recommend to Council a minimum level for cash and marketable securities from method 1 to method 4. Bob Roper made a second to the motion. Vote was unanimous in favor of the motion.

POWER SUPPLY STUDY UPDATE. The final version of the Power Supply Options Study Report from Black and Veatch was discussed by the staff and Board.

PEABODY DISCUSSIONS: Dan said the request to go with Peabody for 50 megawatts would go before City Council on April 17. Dan said he had sent a detailed report to council explaining why we chose it. He said Peabody wants us to sign on the dotted line before the end of April.

ENVIRONMENTAL RFP: Dan said staff was contacting consulting firms to help with getting an air permit for a power plant here in town. He said staff wanted to get started on it because it will be an 18 month process. He said engineering help was needed to determine the emissions and the design work necessary to go to the DNR and get such a permit. He said we are going to start on this now so that if it's decided in the future to move forward with a power plant we will be that much further along. He said this would be similar to what Springfield did when they got their air permit and then went to a ballot issue. He said we will get the bids back April 28. Dan said he will come back to the board in May with a discussion on what the proposals look like.

ENGINEERING – 161 KV LINE UPDATE: Mike Schmitz said the contractors were on sight and that construction was underway.

36" MAIN UPDATE: Mike Schmitz said the bids for the Second 36" Water Transmission Main had been opened. He said the new bids were given an extended construction period, and offered an alternate of horizontal directional boring. There were four bidders for the project.

After a lengthy discussion Bob Roper made a motion that the Board to recommend Council accept the Base Bid of \$6,600,000 from Emery Sapp & Sons, Inc. Tom Baumgardner made a second to the motion. Those voting in favor of the motion were Bob Roper, Tom Baumgardner, Ernie Gaeth, and Greg Macias. John Conway voted against the motion.

WATER TREATMENT PLANT EXPANSION: Mike Schmitz told the Board that the expansion was still on schedule and should be operational the first of May.

WATER SUPPLY EXPANSION: Mike Schmitz gave an update of the current water projects including the second ASR well, and the two new wells #16 and #16.

Page 4

Water and Light Advisory Board

April 6, 2006

UTILITY SERVICE DIVISION REPORT: - Renewable Energy Conference – Tina Worley said there were 230 people at the Renewable Energy Conference hosted by Water and Light and the University. She said it was very well received and may become an annual event.

NEW BUSINESS: John Conway was reminded that his term would be up in July.

OLD BUSINESS: Bob Roper complimented staff on the fine job they did for the Joe Paul Crane dedication.

The meeting adjourned at 9:25.