

Water and Light Advisory Board
May 3, 2011

A meeting of the Water and Light Advisory Board was held Tuesday, May 3, 2011 at 8:05 a.m. in the Water and Light Conference Room, 4th Floor, 701 E. Broadway. The meeting was attended by:

John Conway, Chair
Tom Baumgardner, Vice Chair - absent
Tom O'Connor, Member
Dick Parker, Member
Bob Roper, Member
Tad Johnsen, Water and Light Director
Dave Storvick, Engineering Manager
Tina Worley, Utility Services Manager
Christian Johanningmeier, Power Production Superintendent
Marilyn Thorpe, Management Support Specialist
Tracy Frevert, Administrative Support Assistant

APPROVAL OF THE APRIL 5, 2011 MEETING MINUTES

The April 5, 2011 meeting minutes were approved by voice vote on a motion by Dick Parker and a second by Tom O'Connor.

FINANCIAL REPORT

Tad Johnsen reviewed the Water and Electric Utility Fund Balance Sheet for the six months ended March 31, 2011 and 2010.

Water and Electric Utility combined operations reflect an operating income of \$337,717 for the six months ended March 31, 2011; compared to an operating income of \$635,947 for the same period last year. This is a decrease of \$298,230.

The Water Utility has an operating income of \$1,072,709 for the six months ended March 31, 2011; compared to an operating income of \$595,090 for the same period last year. This is an increase of \$477,619 in operating income.

The Electric Utility has an operating loss of \$734,992 for the six months ended March 31, 2011; compared to an operating income of \$40,857 for the same period last year. This is a decrease in operating income of \$775,849.

Operating revenues of the Electric Utility are up \$3,227,357 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$3,144,688. Fuel and Purchased power costs have increased \$2,538,087.

Dick Parker noted a decrease in the number of Large Commercial customers, which numbered 20 in March, 2011 compared to 30 in March, 2010, and questioned how much the volume of water usage was affected. He also wondered if delinquent accounts were included in Accounts Receivables. Discussion followed. Mr. Johnsen said that for the June meeting, Staff will report which Large Commercial customers are no longer included in the Distribution of Customers, and the effect on total usage. Staff will also research the management of delinquent accounts in the monthly financial statements.

Mr. Johnsen reported that for the Water Utility, Total Operating Revenues are up 11.7% and Total Operating Expenses up 7.5%. For the Electric Utility, Total Operating Revenues are up 5.8%. The Sales for resale reflects an increase due to more energy in the utility's portfolio. Total Operating Expenses is up 6.7% due to the Iatan contract running concurrently with the Ameren contract.

March 31 is 50% of the fiscal year. The projected Operating Income for the Water Utility is \$2.2 million, and is currently at 47.3%. The Electric Utility has a projected loss of \$6.1 million, and with a loss of just under \$1 million, is currently doing better than projected.

Mr. Johnsen noted that the Board received two balance sheets – one balance sheet reflects the water and electric utilities combined, and the other separates them. Discussion followed.

Bob Roper requested that Staff research Operating Expenses, Administrative and general, which showed a noticeable increase.

a) Standard and Poors Credit Profile - Mr. Johnsen noted that Standard & Poor's Ratings Services revised to positive from stable its outlook on the City of Columbia's water and electric system revenue bonds, and affirmed the AA- rating. The revision is based on Water and Light's improved financial metrics, including consistently solid debt service coverage and strong working capital.

Mr. Johnsen reported that at the May 2, 2011 City Council meeting, the Council authorized an \$80.5 million Water and Light bond for water and electric system improvements. Wells Fargo won the bid with the lowest average real interest rate of about 4.38 percent.

Approximately \$49.5 million of the bond will be used to purchase the outstanding shares of the Columbia Energy Center. About \$22.2 million will be used to maintain the water system and approximately \$8.8 million will refund a portion of the Water and Electric Bond Series A 2002.

John Conway requested a copy of the Water and Light portion of the City's FY10 audit.

NEW BUSINESS

a) FY12 Capital Improvement Plan (CIP)– Mr. Johnsen reviewed the 5-Year Water and Electric CIP Plans. He noted that at the June Board meeting the FY12 Capital Improvement Plan will be discussed in more detail, and the Supplemental Budget Plan introduced. The Supplemental Budget Plan will be covered in more detail at the July Board meeting, and the Operations and

Maintenance Budget introduced. The entire draft budget will be reviewed at the August Board meeting. Discussion followed.

b) Columbia Energy Center Gas Services Contract – Mr. Johnsen reported on the supply of fuel to run the Columbia Energy Center (CEC), which consists of four simple cycle natural gas fired combustion turbines each rated at 36 megawatts (MW), giving a total plant capacity of 144 MW. Ameren Energy Marketing has supplied natural gas to CEC since the facility was constructed, and has comprehensive knowledge of CEC’s natural gas requirements. They have long standing gas supply and pipeline arrangements already in place to serve CEC, and the necessary gas related infrastructure in place to properly monitor gas related activity at CEC. Ameren Energy Marketing has agreed to continue to provide gas supply services to CEC for an initial transition period, allowing Water & Light to begin operating CEC while gaining valuable experience with both the CEC’s characteristics and the natural gas markets.

Dick Parker made a motion, seconded by Tom O’Connor, to approve entering into a one year contract with Ameren Energy Marketing for natural gas supply to the Columbia Energy Center starting June 1, 2011. Motion passed by unanimous vote.

DIRECTORS REPORT

a) Project Update – Mr. Johnsen updated the Board on the status of several projects: Mill Creek Substation and 161 kV Line Route Study, Water Treatment Plant Study, Sludge Site Remediation Plan, 24-inch East Transmission Water Main, Hillsdale Ground Storage Reservoir and the Source Water Protection Task Force.

b) PACE Position – At the April Board meeting, Dick Parker requested that Staff research the Property Assessed Clean Energy program (PACE) to determine if it would be advantageous for Water and Light to participate. Mr. Johnsen and Tina Worley reported that Staff has been in contact with the financing arm of the Missouri Department of Natural Resources, the Missouri Environmental Improvement and Energy Resources Authority (EIERA) to discuss the development of PACE programs in the state of Missouri. Staff has also met with representatives of the banking industry who are interested in seeing PACE developed in Boone County.

The Missouri legislature enacted the Property Assessed Clean Energy Act which allows municipalities to create Clean Energy Development Boards, which in turn are permitted to develop local PACE programs to finance energy efficiency improvements or renewable energy improvements.

PACE financing allows property owners to borrow money to pay for energy improvements, typically repaid via a special assessment on the property tax over a period of 20 years. PACE is currently suspended in the residential markets due to concerns raised by the Federal Housing Financing Agency. However, the commercial sector is not subject to the same concerns. Discussion followed.

Bob Roper made a motion, seconded by Tom O’Connor, to recommend that Council adopt an ordinance enabling Columbia to participate in the Clean Energy Development Board, which

could serve as the bond issuance commission for the PACE program for Columbia and Boone County. Motion passed by unanimous vote.

c) FPC Update - Mr. Johnsen reported on the status of the Free Power Company Photovoltaic Lease. The Columbia Terminal Transload roof and the solar field at Bernadette and Tiger Lane have been identified for the initial solar deployments, and the installations are scheduled to begin within the next few months.

The Bernadette and Tiger Lane site will accommodate an additional 200 kW photovoltaic system and will require a \$10,000 investment by Water and Light for metering and additional transformation. The Columbia Terminal Transload roof can accommodate an estimated 650 kW of photovoltaic generation and will require an estimated \$40,000 for metering, transformation and connection material.

Additional site possibilities include the sludge sites north of the Water Treatment Plant, the landfill buffer East of Waco Road, and the Wastewater Treatment Plant.

d) Columbia Energy Center Transition/County Tax Phase Out – The City’s purchase of the Columbia Energy Center from Ameren Energy Marketing resulted in an unplanned reduction in property tax revenues for Columbia Public Schools, Daniel Boone Regional Library, and Boone County Family Resources. To allow for a more planned reduction in property tax, Staff recommended a proposed revenue phase out approach with Columbia Public Schools, and is seeking direction regarding the other tax entities. This approach proposes for the City to replace part of the county tax revenue stream. Using revenues from 2010 Tax Year as the base year, tax revenues received shall be reduced annually by 20% of the base year for five years.

e) A/C Window Exchange – Water and Light will not need to purchase window units due to the quantity purchased last summer. The date of the exchange is scheduled for the first week of June, at the Central Missouri Community Action weatherization office located on Vandiver Drive.

f) Energy Conservation Ordinances and Policies – Mr. Johnsen reviewed the report Staff prepared on the Energy Conservation Programs Water and Light provides. Staff is considering ordinance changes to clarify the current Energy Conservation programs. These ordinance changes are planned to provide clarity and a framework structure necessary for the development of future Energy Conservation programs. Energy Conservation programs are placed into one of two categories: Loans and Incentives Programs or Reimbursement Programs, and descriptions of each Energy Conservation program were provided. A meeting will be held on May 9, 3:00 p.m. in the Water and Light Conference Room, 4th Floor, 701 E. Broadway, to work on finalizing the proposed ordinance changes and program policies and procedures.

CHAIRMAN’S REPORT

John Conway presented a report to Council at the May 2 City Council meeting.

Mr. Conway asked about agenda items not yet covered:

√Annual Customers Satisfaction Survey – will be provided at June meeting

√Water Quality Report – will be published in June

√USGS Annual Report – is no longer an annual report. The report is now issued every three years.

Next meeting date: Tuesday, June 7, 2011 at 8:05 a.m. in the conference room of the Electric Distribution Office, Heuchan Building, 1514 Business Loop 70 East, Columbia, MO.

The meeting adjourned at 9:50 a.m.

Respectfully submitted,