

Water and Light Advisory Board
May 7, 2009

A meeting of the Water and Light Advisory Board was held May 2, 2009 at 7:00 a.m. in the Utility Services Conference Room, 105 E. Ash. Attending the meeting were:

John Conway, Chair
Tom Baumgardner, Vice Chair
Tom O'Connor, Member
Bob Roper, Member
Dick Parker, Member
J. Kraig Kahler, Water and Light Director
Mike Schmitz, Engineering Manager
Jim Windsor, Manager of Rates and Fiscal Planning
Tina Worley, Utility Services Manager
Tad Johnsen, Power Production Superintendent
Floyd Turner, Manager of Water Operations
Dan Stokes, Electric Distribution Manager
Marilyn Thorpe, Administrative Support Supervisor
Pamela Mathews, Administrative Support Assistant

Win Colwill, League of Women Voters

APPROVAL FOR THE April 2, 2009 MEETING MINUTES

The April 2, 2009 meeting minutes were approved as corrected by voice vote on a motion by Bob Roper and a second by Dick Parker.

DIRECTOR'S REPORT

a) Columbia Energy Center – Kraig Kahler said that Ameren Energy marketing offered to sell a 36MW undivided ownership in the Columbia Energy Center. They have given Water & Light until January 14, 2010 to decide whether to go forward with the purchase. Water & Light currently purchases the output of 2 – 36 MW combustion turbines at the Columbia Energy Center.

Kraig explained that in our Integrated Resource Plan, Burns & McDonnell recommends that Water & Light purchase and install 2 Wartsila reciprocating engines by 2012. The units would provide an additional 17 MW's of additional generation capacity. The estimated cost of the two generators is \$19,400,000 or \$1,155 per kW.

Ameren Energy marketing has offered to sell Water & Light a combustion turbine for \$17,990,000 or \$499.72 per kW. Water & Light would be able to purchase more than double the capacity of the Wartsila units at a lower cost.

There was discussion about how this substitution would change the Integrated Resource Plan. Mr. Roper thought it would be wise to run the new data by Burns & McDonnell. Mr. Parker explained the cost comparisons and Mr. O'Connor wanted to know what accounted for the higher fixed costs with the Wartsila plan and wondered if the numbers are accurate. It

was decided that prior to the May 18, 2009 Council work session, Burns & McDonnell will be asked to review the proposal and compare costs. They will be asked to review life cycle and historical fixed operation and maintenance costs. Mr. Baumgardner asked what capacity would be needed in the future, so the Board would also like Burns & McDonnell to study the benefits of purchasing a fourth unit that was offered and communicate their findings prior to the council work session if possible.

Mr. Conway said that the cost of purchasing a third unit from Ameren would likely necessitate a rate increase. Mr. Kahler said a five percent increase would be possible in the future with one half percent going toward this particular purchase.

b) Streetlight update – Mr. Kahler said the City Council has challenged the Utility to reduce costs to the General Fund through efficiencies by \$100,000 in FY09 and \$200,000 in both FY10 and FY11.

Mr. Kahler said that using high pressure sodium lights would be the best option and said that additionally, removing some lights and reducing the wattage could increase the cost savings. Mr. Schmitz produced charts divided into quadrants detailing where lights are currently placed in the city. Mr. Roper felt that although the concept has merit he didn't think the Board should recommend removing lights and reducing wattages if the savings are not significant. He pointed out that public safety could be an issue. Jim Windsor said that the lights are not metered so energy is a small component of the cost. To determine the actual cost savings he would have to factor in the cost of man and equipment hours to change the lights from mercury vapor to high pressure sodium. Mr. Windsor said that an annual savings of \$100,000 could be achieved if all of the criteria detailed in the report were met.

c) Demand Side Management (DSM) Update – Mr. Kahler said that the report is not quite ready for the Board because Mr. Watkins wants a benefit/cost ratio analysis completed first. Mr. Roper said he hoped the Board would have an opportunity to review the report before it is presented to Council. Mr. Kahler indicated the report might be available as early as May 13.

FINANCIAL REPORT

a) Financial Update – The Board received the monthly financial statements ending March 31, 2009.

Water and Electric Utility combined operations reflect an operating income of \$2,124,684 for the six months ended March 31, 2009; compared to an operating income of \$5,742,135 for the same period last year. This is a decrease of \$3,617,451.

The Water Utility has an operating loss of \$986,244 for the five months ended March 31, 2009; compared to an operating income of \$54,434 for the same period last year. This is a decrease of \$1,040,678 in operating income.

The Electric Utility has an operating income of \$3,110,928 for the five months ended March 31, 2009; compared to an operating income of \$5,687,701 for the same period last year. This is a decrease in operation income of \$2,576,773.

Operating revenues of the Electric Utility are up \$3,264,331 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$5,361,074. Fuel and Purchased power costs have increased \$4,574,838.

b) Jim Windsor said there has not been much change. He felt that the utility would meet budget projections. He was confident about the electric side but the water revenue will depend on what kind of summer we have.

John Conway inquired about what assumptions could be made for 2010 and 2011 in order to break even. Mr. Kahler said the utility is considering another water rate increase above and beyond the bond issue. Mr. Windsor said he would share his assumptions at the next Board meeting.

POWER PLANT REPORT

a) Tad Johnsen said that the Power Plant has been offline since the end of March in order to prepare for summer. He expects that it will be brought back online at the end of next week so the utility can generate power all summer long. He reported that the Ameresco gas facility ran most of April, generating hot water and steam for the prison. He said that currently, a total of 7% of our power is coming from two landfill sites and the wind farm.

b) Tad said he will be meeting with Purchasing and expects to award a contract for coal by next week. He hopes to obtain a two year contract. Mr. Baumgardner asked if transportation costs were coming down. Tina Worley indicated that she oversees the transportation contracts and the rates have not changed.

ENGINEERING

a) Mike Schmitz said that the utility is investigating options to reduce exposure to Southeastern Electric Reliability Council (SERC), North American Electric Reliability Corporation (NERC) and Federal Energy Regulatory Commission (FERC). Three studies are currently underway. He said we need to properly identify critical infrastructure and the legal implications of non-compliance. The utility is making progress on the compliance issues. It will help if we can demonstrate we do not have a major impact on the bulk electric system.

b) Water Request for Proposal (RFP) – Mr. Schmitz said four firms were interviewed, Black & Veatch Corporation, Burns and McDonnell Engineering, Jacobs Engineering and Carollo Engineering. He will be moving forward with discussions with Carollo to define the scope of services in their proposal. He wants the utility to consider all options, including and offsite water treatment plant, possibly in the northeast part of the city.

WATER DIVISION REPORT

a) Source Water Protection Plan – Floyd Turner indicated we do not have an official plan at this point. The utility will work with the Missouri Department of Natural Resources (DNR) to establish a plan. He said we do have a good levee system for wellhead protection and the utility is monitoring with United States Geological Survey (USGS). Mr. Schmitz said there is a process in place to have a formal plan approved, probably within two years.

b) Water hydrant flushing is getting underway this week by the Columbia Fire Department.

ELECTRIC DISTRIBUTION REPORT

Dan Stokes said there were 20 outages for the month of April with an average of 95 minutes per outage. He said on average, 64 customers were affected per outage.

UTILITY SERVICES DIVISION REPORT

Tina Worley said that the Advancing Renewables in the Midwest Conference is slated for June 3, 2009. The conference is being sponsored by Columbia Water & Light, the Missouri Department of Natural Resources and the University of Missouri.

The HVAC Tune-Up pilot program is underway and the contractors are being selected from the Request for Proposals (RFP's). All three test groups are full.

NEW BUSINESS

Mr. Parker proposed that the future Board meetings be held at 8 a.m. Tom Baumgardner made second on the motion. A vote was taken with four ayes and one no. The motion passed.

OLD BUSINESS

The next meeting on the stimulus package grant application will be held May 27, 2009 at 5:30 p.m.

The National APPA Conference will be held June 13-17 and Marilyn Thorpe said she would like to know soon who will attend.

Next meeting date: June 4, 2009 at 8 a.m.

The meeting adjourned at 8:45 a.m.

Respectfully Submitted,