

Water and Light Advisory Board
June 5, 2008

A meeting of the Water and Light Advisory Board was held June 5, 2008 at 7:00 a.m. in the Utility Services Conference Room, 105 E. Ash. Attending the meeting were:

Tom Baumgardner, Vice Chair
Tom O'Connor, Member
Bob Roper, Member
Ernie Gaeth, Member
John Conway, Chair – Absent
John Glascock, Water and Light Interim Director
Jim Windsor, Manager of Rates and Fiscal Planning
Mike Schmitz, Engineering Manager
Floyd Turner, Manager of Water Operations
Dan Stokes, Electric Distribution Manager
Jay Hasheider, Energy Services Supervisor
Marilyn Thorpe, Administrative Support Supervisor
Stephanie Brown, Administrative Support Assistant
Barry Kirchhoff, Water Plant Superintendent
Blaize Brazos, Water Quality Specialist

Win Colwill, League of Women Voters
Dick Parker, Power Supply Task Force
Gene Sandner, S & S Seed Farms
Deanne Hackman, Missouri Bioenergy, LLC

APPROVAL FOR THE MAY 1, 2008 MEETING MINUTES: The May 1, 2008 meeting minutes were approved.

FINANCIAL REPORT:

a) Financial Update – The Board received the monthly financial statements ending April 30, 2008.

Water and Electric Utility combined operations reflect an operating income of \$4,529,767 for the seven months ended April 30, 2008; compared to an operating income of \$3,829,434 for the same period last year. This is an increase of \$700,333.

The Water Utility has an operating income of \$69,645 for the seven months ended April 30, 2008; compared to an operating income of \$453,101 for the same period last year. This is a decrease of \$383,456 in operating income.

The Electric Utility has an operating income of \$4,460,122 for the seven months ended April 30, 2008; compared to an operating income of \$3,376,333 for the same period last year. This is an increase in operating income of \$1,083,789.

Operating revenues of Electric Utility are up \$5,369,723 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$3,286,899. Fuel and Purchased power costs have increased \$3,055,472.

b) Jim Windsor said water revenue is still down because of the decrease in the number of administered connection fees, compared to the previous year. As part of delaying the start of the new Ameren contract, electric sales for resale were down. Total electric sales for resale will meet planned budget projections.

The cash and marketable securities available to Water and Light as of April 2008 was \$34,149,959. The City's general fund utilizes 16% of total annual expenses as a target minimum for cash reserves. The \$34,149,959 represents 31.7% of Water and Light's actual annual expenses in FY07. Based on projections, that amount will represent 24.7% of Water and Light's anticipated annual expenses in FY09. Mr. Windsor said that electric utilities use different methods for determining a minimum cash reserve. The amount available for Water and Light is in-line with a method that looks at O&M, Debt Service and Capital expenses.

Cash and marketable securities will be reduced starting in June 2008. Additional appropriations for Capital Improvement Projects (CIP) are currently on the Council agenda. The total appropriation amount is \$2,200,000. Mr. Windsor said that the planned water bond issue will not contain the 10% reserve requirement and the funding will come from cash reserves.

Mr. Windsor said that the University of Missouri is also a member of MISO. With their membership in MISO, the transmission agreement between Water and Light and UMC has been renegotiated. The full process had taken a year and an adjustment of \$300,000 went back to the University.

The Board questioned whether or not staff could do the MISO work that The Energy Authority (TEA) is paid to do. Mr. Windsor said that several employees and a significant investment in computer hardware and software would be needed. Contracting for the MISO services is the least expensive option.

POWER PLANT REPORT

John Glascock said the power plant had been taken off line, but is now up and running. The burning of wood chips is still going well with no problems. As of now there is no limit on the amount of wood that can be burned.

ENGINEERING

Long Range Water Study – Mike Schmitz presented a report on the scope and progress of the Long Range Water Study performed by Jacobs Engineering Group, Inc. The study will evaluate the CIP through 2013 and the improvements needed to meet the demands of years 2018, 2023, and 2028. Jacobs will meet with the City in the middle of June to review future improvements. A draft report will be presented to staff in July 2008 and presented to the Board on August 7, 2008. It will then go before the City Council on September 2 or 15, 2008. Mr. Schmitz said this report is not as complex as the Integrated Resource Plan (IRP). It is a

growth forecast and analysis of supply. Water quality and the treatment process were not included in this study. The CIP and the water bond issues were the main focuses of this study. The studies are usually performed every five to seven years.

Route Study for the 161kv line – Mr. Schmitz said the route study is a SERC requirement. A high voltage transmission line that will run across the southern boundary is needed. This will be an addition to the two outside lines that run to the Ameren substation and the Associated Electric substation. The focus of this study is to choose the route and substation site. Mr. Glascock said public input will be included from the beginning of the project. Bids have gone out and staff recommended Sega for the project. Tom O'Connor motioned to recommend that Council approve Sega for the bid for this project. Bob Roper seconded the motion. The motion was approved by voice vote.

WATER DIVISION REPORT

Floyd Turner presented the Board with the requested report on Haloacetic Acid (HAA) and Trihalomethanes (THM) in the water supply and distribution system. Mr. Turner said normally THM levels drop in the winter and rise in the summer, but the levels did not drop in the winter. The Prathersville location is a 6" line at the end of the distribution line. There is not as much movement in the water in that area because there are few customers. Barry Kirchhoff said the Prathersville location had varying chlorine residuals which raised some question. There is no up front reason for this occurrence and because of this the University of Missouri is needed for testing. THM levels rise slightly as water moves through the distribution system. Mr. Kirchhoff said the longer the water's been in the pipe, the lower the chlorine residual. The average travel time for the water from distribution to the Prathersville site is two days. While the University is conducting its study, Water and Light will examine things that have changed, such as lime deposits, etc. He said the study will look for ways to more efficiently remove THMs from the water and consider causes for the elevated levels, such as water from the lagoons. THMs also vary because of temperature. The study process will take about a year and the Department of Natural Resources has allowed two years to resolve the problem. It will take a while to lower the level of THMs to meet the maximum level because it is determined by the averages of several locations over time.

Mr. Kirchhoff did not see adding ammonia to the sites where the chlorine sits as a feasible solution. There is no immediate danger from the THMs in the water.

Mr. O'Connor requested the chloride and TOC records for the last ten years.

ELECTRIC DISTRIBUTION REPORT

Dan Stokes said the number of outages for May was 35, which is the average amount. The response time averaged 68 minutes, below the average of 90 minutes. Fifteen percent of customers were affected due largely to an outage on May 15th that affected 85% of the 15% that lost power.

UTILITY SERVICES DIVISION REPORT

Water Quality Report - Mr. Glascock said the Water Quality Report for 2007 had been released. Board members were given a copy of the report.

Pilot Rebate Program - Water and Light would like to extend the pilot rebate program to include ground source heat pumps and make it an ordinance. Ernie Gaeth believed the minimum for the SEER rating for A/C units should be 16 for it to be energy efficient. Mr. Glascock said staff will consider the possibility of changing the minimum.

Mr. Glascock asked the Board if they were ready to recommend to Council the approval of moving the pilot rebate program into a permanent status by codification in the City's ordinances with amendments to incorporate ground source heat pumps and provide the Director with discretion to accommodate solar PV systems larger than 10 KW. Several Board members would like more time to review the suggestion and will take up the matter at the next meeting.

NEW BUSINESS

Gene Sandner of S & S Sod and Seed Farm gave an informational presentation on potential cellulosic biomass production for fuel supply. He said he has been in the farming seed and sod business since 1982. Missouri Bioenergy, LLC was formed in 2008 by farmers and business owners from Central Missouri. The company is currently analyzing the feasibility of starting a biomass processing facility that would be able to supply the City and other customers with a long-term and cost effective supply of biomass for energy generation. The study is expected to be complete in July 2008. Mr. Sandner asked for the Board's consideration of end-uses for bulk or pelleted biomass.

OLD BUSINESS

Mr. Glascock announced that this would be his last meeting. He will not be at the next meeting and the new Director will possibly be appointed by the August meeting.

Next meeting date: July 3, 2008

The meeting adjourned at 8:25 a.m.

Respectfully Submitted,