

Water and Light Advisory Board  
July 6, 2010

A meeting of the Water and Light Advisory Board was held Tuesday, July 6, 2010 at 8:00 a.m. at the Utility Services Conference Room, 105 E. Ash St. The meeting was attended by:

John Conway, Chair  
Tom Baumgardner, Member - Excused  
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, Assistant Water and Light Director  
Tad Johnsen, Power Production Superintendent  
Tony Cunningham, Acting Electric Distribution Manager  
Floyd Turner, Manager, Water Operations  
Tina Worley, Utility Services Manager  
Marilyn Thorpe, Administrative Support Supervisor  
Tracy Frevert, Administrative Support Assistant

**APPROVAL FOR THE JUNE 1, 2010 MEETING MINUTES**

John Conway called attention to some information in the June 1, 2010 minutes that need modification. The item title "Approval for the March 2, 2010 Meeting Minutes" needs to be revised to reflect the May 4, 2010 meeting date.

Dick Parker recommended that in the Director's Report about the Window Air Conditioner Exchange Program that it be made clear that 125 air conditioners were provided this fiscal year.

The Financial Report on page two of the minutes states the utility budgeted for a \$6 million loss for the month of April. Following discussion, Bob Roper indicated the minutes should be revised to state, "Mr. Windsor explained that there is really no problem because we had budgeted for a \$6 million loss, due to temporary, unusual circumstances for that month (April)." Tad Johnsen read a memorandum from Jim Windsor explaining the circumstances: Accounts Receivable was lower in April, Accounts Payable was higher in April, and bond payments.

Also in the Financial Report, the Water Utility's operating loss was not correct. The correct Water Utility operating loss should be \$1,072,314, which would make an increase of \$1,679,659 in operating income.

The "New Business" category discussing the Hinkson Creek Bank Stabilization Report should state 36-inch main rather than 16-inch main.

The "Old Business" category, Renewables Request for Proposals (RFP), states "He said this offers does not provide diversity on transmission." "Offers" should be changed to "offer."

The June 1, 2010 meeting minutes were approved as modified by voice vote on a motion by Dick Parker and a second by Bob Roper.

## **DIRECTOR'S REPORT**

- a) Introduce New Director – Mike Schmitz introduced the new Water and Light Director, Tad Johnsen. Mr. Johnsen will begin his new position July 11, 2010. Mr. Johnsen expressed his thanks and stated that he is looking forward to his new position.
- b) Project Partnership Agreement United State Army Corps of Engineers – Mr. Schmitz reported that the City Council approved the resolution authorizing the City Manager to execute a Project Partnership Agreement with the U.S. Army Corps of Engineers for the design and construction of the Hinkson Streambank Stabilization Project. David Storvick contributed much of the research for this project.
- c) Forum Street Lights Report – Water and Light staff prepared a report with three recommendations for the Forum Street Light Project. The first option is to re-issue the original work order to install the galvanized steel light standards as designed. Option two is to install black painted steel poles in place of the galvanized steel light standards, and option three is to install black painted steel poles in place of the galvanized steel light standards and replace the 11 existing galvanized steel standards between Woodrail and Southampton. Discussion followed. Dick Parker questioned the cost to repaint the poles, and how often they needed to be repainted. To date, no poles have been painted. Dick Parker made a motion, seconded by Bob Roper, to recommend to the council to install the galvanized steel light standards. Motion passed.
- d) Tallahassee's Vegetation Management Program Report – Mr. Schmitz reported that at this time the Mayor has decided to accept the Tallahassee Vegetation Management Program Report as information only. Discussion followed concerning Tallahassee's vegetation canopy. Columbia does not use a vegetation canopy. We trim only what needs to be trimmed, and staff and council is happy with our current vegetation management program..
- e) Proposed FY 2011 Rate Increases – The utility would like to propose to the council a 10% increase to the water rate for FY 2011, followed by an increase of 5% a year for the next two years. The goal is to be in the black within 3 years.

Mr. Schmitz said that Jim Windsor, Manager of Rates and Fiscal Planning, recommended that there be no electric rate increase until after the spring bond issue. However, the decision was made to recommend to the council a 3% increase, to begin in October, 2010.

Bob Roper inquired if other utilities' rates are comparable to ours. Charts were distributed showing electric and water rate standards from Columbia and several comparable cities in Missouri, Illinois, Kansas and Arkansas. Tad Johnsen explained that much of the data is difficult to gather. Many utilities do not include taxes in their figures. Dick Parker recommended that more detailed information, including other utilities' tax amounts, be included in any comparisons before information is presented to the council.

Tom O'Connor requested an explanation of our rate philosophy, most specifically the heat pump rate. Mike Schmitz explained that each category has a different average, and that the increase is not necessarily an across the board increase. He requested that the board wait for Jim Windsor, Manager of Rates and Fiscal Planning, for a detailed explanation of all rates. Mr. Windsor was unable to attend this board meeting, so will provide an explanation of rates and customer classes at the August meeting. Discussion continued concerning next year's cost-of-service study. Mr. O'Connor referenced Mr. Windsor's May 21, 2010 Cost-of-Service Analysis explaining that Columbia Water & Light currently uses a Peak Responsibility method.

The decision was made to dedicate the majority of the August Advisory Board meeting for discussion of the FY 2011 budget, including the rate structure and cost-of-service study. Mr. Schmitz said he will provide the independent studies from previous years to help explain how past rates were set to aid in setting future rates.

To complete his Director's Report, Mr. Schmitz announced that John Conway had been re-appointed to the Water and Light Advisory Board.

### **FINANCIAL REPORT as available**

Mr. Windsor was unable to attend the board meeting. Mr. Schmitz noted that June electric usage was higher than June of previous years. He reported that Tina Worley, Utility Services Manager, performed a demand cycle approximately two weeks ago, and 21 megawatts were shed using both commercial and residential load management switches. Two cycles were performed, and results were consistent.

The board received the monthly financial statements ending May 31, 2010.

Water and Electric Utility combined operations reflect an operating loss of \$353,259 for the eight months ended May 31, 2010; compared to an operating income of \$1,902,935 for the same period last year. This is a decrease of \$2,256,194.

The Water Utility has an operating income of \$923,879 for the eight months ended May 31, 2010; compared to an operating loss of \$1,009,031 for the same period last year. This is an increase of \$1,932,910 in operating income.

The Electric Utility has an operating loss of \$1,277,138 for the eight months ended May 31, 2010; compared to an operating income of \$2,911,966 for the same period last year. This is a decrease in operating income of \$4,189,104.

Operating revenues of the Electric Utility are up \$3,137,221 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$6,775,963. Fuel and Purchased power costs have increased \$5,269,965.

John Conway had some questions concerning street lighting maintenance charges. Mr. Schmitz reported that historically there was a per light charge. A street light audit was performed two years ago, and Water and Light began charging \$1.2 million to the general fund annually to maintain street lights. A suggestion was made at the council retreat that Water and Light provide street light maintenance for no charge. The result is that for FY11, Water and Light will bill the general fund \$1 million for street light maintenance. The reduction is part of Water and Light's efforts to help offset the general fund deficit. Currently Water and Light maintains 9,000 of the total 14,000 street lights. Missouri University, MoDOT and Boone Electric maintain those that Water and Light does not. MoDOT's street lights are metered, but not MU's or Boone Electric's.

Ryan Williams reported on the progress of the LED street light project in the Green Meadows area. He noted that we have not yet received the LED lights.

### **CHAIRMAN'S REPORT**

John Conway encouraged everyone to attend the July 15, 2010 Advancing Renewables in the Midwest conference.

## **NEW BUSINESS**

a) 161 Kv Transmission Line Report – Mike Schmitz reported that Ryan Williams has been working with the city’s contractor, SEGA, to move forward with the route selection for the extensions to the 161 Kv systems. The extensions are to include three new line sections and one new substation located in the southern portion of the City’s electric service territory. The new substation will serve as the common terminal for each of the new line sections. The new substation will also be capable of serving load growth in the southern portion of the City’s service territory. The closing date for the purchase of the land for the new substation was scheduled for June 30, however a trustee for one of the interested parties has requested a contract extension to review the closing documents. The new closing date should be early in July.

The board was provided maps of each of the three line sections to aid in determining the best route for each line section. Mr. Parker asked if groups of houses had different colors for a specific reason, and Mr. Williams said not at this time. Mr. Parker also questioned whether it would be likely in the future to have other substations placed on the transmission line. Mr. Williams said it could be done if needed, but was not planned. Mr. Schmitz added that a special heavy use customer could request a substation if needed, but reiterated that none was planned.

Mr. Parker asked if the towers carry distribution lines as well. Mr. Schmitz said no, they were single circuit steel poles. Steel poles are used for long spans, and the 100 foot right-of-way on front property lines for maintenance reasons. The project should cost approximately \$18 million, somewhere around \$6 million for each line section. Mr. O’Connor asked if burying the line was an option. Mr. Schmitz said it was an option, but would be extremely costly.

b) Hillsdale Storage Tank Report – Mr. Schmitz reported that Natgun Corporation provided the low bid to design and build the 1.5 million gallon American Water Works Association Type III wire-wound, pre-stressed concrete circular ground storage reservoir at the Hillsdale Pump Station. David Storvick provided the board with two architectural enhancements and noted that the structure should be in service by November. Mr. Parker asked if the structure could be dyed or painted. Mr. Schmitz said they typically refrain from painting due to maintenance and cost issues.

Dick Parker made a motion, seconded by Bob Roper, to recommend to the council to move forward for the procurement of design/build services from Natgun Corporation, without any additional architectural treatment options to the Hillsdale Pump Station. Motion passed.

## **OLD BUSINESS**

Ryan Williams, Tad Johnsen and Jim Windsor provided the board with a memorandum proposing a methodology for application of the Renewable Energy Standard, which Mr. Johnsen summarized. The not-to-exceed 3% rate increase limit will be based on the amount of funds generated by a 3% rate increase for those customers impacted by rate increases. For the FY11 budget, the additional cost of renewable energy should not exceed \$3,207,330.

The board was provided a chart reflecting FY09 figures.

Dick Parker presented a report to the board members present regarding the Renewable Energy Standard. He agrees with the information provided, but wanted clarification of the calculations used to generate the information. Mr. Parker suggested that he be included in future discussions of the cost methodology for renewable energy, believing this would accelerate the decision making process. Bob Roper had reservations if this included Mr. Parker attending administrative meetings. Mr. Schmitz stated that the role of the Advisory Board is to advise the council, not the staff, and that board members should not be involved in staff decisions.

John Conway suggested that staff provide additional clarification of the calculations used before any information is provided to the council in January, and that staff respond to Mr. Parker's suggestions.

b) Cash and Marketable Securities Report – Tad Johnsen reported that there was an approximately \$5 million increase in cash and marketable securities reported on the April Financial Report versus the March Financial Statement. This variation occurred for the following reasons: Accounts Receivable was lower in April, Accounts Payable was higher in April, and bond payments. There were no questions.

c) Cost of Renewables Report – The board was provided with a memorandum from Jim Windsor concerning Cost Analysis – Renewable versus Non-Renewable, and Mr. Schmitz included some wind energy data.

d) Renewable Conference – Mr. Schmitz reiterated that the Advancing Renewables Energy Conference, which Water & Light underwrites, is scheduled for July 15, 2010 and will be held on the University of Missouri campus.

Discussion followed regarding tracking renewable loans. Mr. Schmitz said there is currently \$3.5 million out in renewable loans. There were 256 loan applications for review last week. He stated that if we reach the maximum amount appropriated, staff will have to approach the council for an increase. As the popularity of the loan program grows, however, we will have to go to a first come/first serve basis. Ruby Ray, Rate Analyst, is tracking this information. Water & Light receives minimal interest payments on these loans. The interest rates have been raised, and are fixed. These low interest loans are not a budget line item. When funding runs out, staff will have to go back to the council with a new ordinance.

Mr. Parker wanted to consider a recommendation to purchase additional renewable energy. Tad Johnsen restated that staff will continue issuing RFPs for renewables on a regular basis to see what is available, but did not feel that a decision should be made at this time. He asked that the board study the information they have now, and that they will be provided with additional clarification to be better prepared to make a decision in the future. Discussion followed, and the board agreed not to make any recommendations at this time.

Bob Roper thanked Mr. Schmitz for his contribution to Water & Light and stated he was impressed with his role as acting Director, which he served with distinction. He said Mr. Schmitz has done an extremely admirable job, and gives him great respect, admiration and thanks. Mr. Roper made a motion, seconded by Tom O'Connor, that the Water & Light Advisory Board thank Mike Schmidt for his service. Motion carried. Mr. Schmitz was honored, and gave thanks to his hard working staff.

Next meeting date: Tuesday, August 3, 2010 at 8 a.m. in the Utility Services Conference Room, 105 E. Ash St., Columbia, MO.

The meeting adjourned at 9:42 a.m.

Respectfully submitted,