

Water and Light Advisory Board
August 6, 2009

A meeting of the Water and Light Advisory Board was held August 6, 2009 at 8:00 a.m. in the Utility Services Conference Room, 105 E. Ash. Attending the meeting were:

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

APPROVAL FOR THE JULY 2, 2009 MEETING MINUTES

The July 2, 2009 meeting minutes were approved by voice vote on a motion by Tom O'Connor and a second by Bob Roper.

DIRECTOR'S REPORT

a) Mr. Kahler said the utility is moving forward to implement adding chloramines, following the receipt of the 4th quarter report with recommendations from the University of Missouri regarding Trihalomethanes in the water supply. The tanks have been installed, the taps to the water mains are complete and the testing has been completed with the Department of Natural Resources (DNR) approval. The addition of chloramines to the water will commence on August 11, 2009. A 50% drop in total Trihalomethanes (TTHM's) is anticipated. Mr. Kahler indicated staff has been disseminating information with press releases and have contacted the area dialysis clinics.

FINANCIAL REPORT

a) Financial Update – The Board received the monthly financial statements ending June 30, 2009.

Water and Electric Utility combined operations reflect an operating income of \$2,930,976 for the eight months ended June 30, 2009; compared to an operating income of \$6,152,067 for the same period last year. This is a decrease of \$3,221,091.

The Water Utility has an operating loss of \$975,055 for the nine months ended June 30, 2009; compared to an operating income of \$22,941 for the same period last year. This is a decrease of \$997,996 in operating income.

The Electric Utility has an operating income of \$3,906,031 for the nine months ended June 30, 2009; compared to an operating income of \$6,129,126 for the same period last year. This is a decrease in operation income of \$2,223,095.

Operating revenues of the Electric Utility are up \$4,233,049 compared to the same period last year.

Operating expenses before Payment-In-Lieu-Of-Tax and Depreciation are up \$5,706,130. Fuel and Purchased power costs have increased \$3,968,602.

- a) Jim Windsor reported that water sales were slightly higher in June. With the mild summer, however, July sales do not look that promising.

Dick Parker asked how the bonds are doing. Jim said we are rated AA- and that our long-term capacity supply on the electric side will help with our bond rating.

- b) With regard to the proposed rate increases, Jim asked the Board to read over the numbers but no action is yet required. He indicated that the Board would meet again before the council takes up the issue at the second City Council meeting in September.

Tom O'Connor asked if the rate increase is tied to Demand Side Management (DSM) programs. Jim and Tina said that yes the DSM programs are considered when the rates are being calculated.

Dick Parker asked about the wisdom of giving the high efficiency heat pump customers a rate reduction in the winter. Jim explained that we try to adhere to the cost of service analysis which has been our policy in order to be fair to all of the customers.

Bob Roper asked Jim if he felt confident that the rate proposal is realistic. Jim said yes that we are on track.

Tom O'Connor asked how the break points were arrived at in calculating the rates. Jim said they are based on averages.

Mr. Kahler said, at the City Manager's request, that a working group is being formed to study ways in which the water division can stand on its own financially.

CAPITAL EXPENSE - NEARMAN

Jim Windsor said the pro-rata share of capital expenditures due has been analyzed by an independent consulting firm. The Kansas City Board of Public Utilities has agreed to reexamine some of the expenditures. When the new figures are calculated the increase will be rolled into the capacity charge. The utility will save \$24,000 per year. The charge starts in January, 2010.

RISK MANAGEMENT SERVICES

Water & Light (CWLD) contracts with The Energy Authority (TEA) for energy trading and settlement services related to the Midwest Independent System Operator (MISO) Energy and Operating Reserve Market. Currently Burns and McDonnell are looking at the utility's membership in MISO and SERC Reliability Corporation, evaluating balancing authority transmission operation responsibilities. They have identified the utility as having no critical assets that would impact the bulk electric system. Mr. Kahler indicated he would like to postpone entering into a contract with TEA until the issues are further evaluated.

CAP AND TRADE LEGISLATION

Mr. Kahler said the American Clean Energy and Security Act, also known as the Waxman-Markey bill has passed the House but not the Senate. The Missouri Public Utility Alliance (MPUA) is following this closely as it could have a big economic impact. If it passes it could result in a cap and trade fee. There are a lot of variables so the rate increases are difficult to predict.

Mr. Roper asked what portion of our power is derived from burning coal. Jim estimated over 80%.

DUE DILIGENCE REVIEW

Mr. Kahler said we are going ahead with the purchase of the third share from Ameren Energy Marketing as well as the other two shares or turbines we currently have contracted. First we will conduct an independent review of the Columbia Energy Center. Sega Inc. has submitted a proposal to provide the engineering services. We will also conduct a feasibility study of employing a combined cycle conversion including conceptual thermal performance model. Former Director, Dick Malon has been hired as a temporary consultant to assist with the process.

COLUMBIA ENERGY CENTER RIGHT OF FIRST REFUSAL

A letter was received on July 1, 2009 from Dennis Beutler, Ameren Energy Marketing, giving Water & Light the right of first refusal for the remaining 25% of the Columbia Energy Center. Bob Roper made a motion to refuse the share and a second was made by Dick Parker. A vote was taken and the Board voted unanimously to refuse the second share as stated in the letter.

ADS UPDATE

Alternative Distribution Systems (ADS) is in default. Per our contract with Vaughn Prost, Prost Builders, the default/cure period for finding another operator is nine months. The three ADS employees will be hired as temporary Water & Light employees and will be paid out of the electric funds. If another operator does not take over, the City is contractually obligated to purchase the facility for \$2.4 million. Bob Roper requested additional background information because of the financial impact.

WATER TREATMENT PLANT STUDY

Mr. Kahler said there were six proposals to perform the Water Treatment Study. Staff is recommending Carollo Engineers. Tom O'Connor said the water quality should be included in the study. Mr. Kahler said it is in the plan.

Bob Roper made a motion to recommend Council execute a contract with Carollo Engineering to conduct a Water Treatment Plant Study for \$232,676. Tom O'Connor seconded the motion. The motion passed three to one.

OLD BUSINESS

- a) Tom Baumgardner asked about the COLT railroad bridge on Highway 63. Mr Kahler explained that the groundbreaking ceremony was held on July 31 at the ADS transload facility. A \$3.7 million contract was awarded to Emory Sapp for the bridge construction.
- b) Mr. O'Connor recommended membership in EPA's Water Sense program. There was some discussion about tailoring rates to insure that rates are structured in such a way that conservation is encouraged. Mr. Parker requested more information about feasibility and cost before sending it to council for review. A motion was made by Tom O'Connor with a second from Tom Baumgardner to forward information regarding the City's membership in the Water Sense program for Council consideration. The motion passed three to one.
- c) Tad Johnsen said that energy from renewable sources totaled 3.2% for the month of June and 4.4% for the calendar year to date. 480MW of wind generation was used. Wood supply is limited right now. Ameresco produced 1583 MWh. They were having some metering issues.

Next meeting date: September 3, 2009 at 8 a.m.

The meeting adjourned at 9:30 a.m.

Respectfully Submitted,