POWER SUPPLY TASK FORCE MEETING
WATER AND LIGHT ADMINISTRATION AND ENGINEERING BUILDING

A meeting of the Power Supply Task Force was held March 24, 2008 at 5:30 p.m. at the Water and Light Administration and Engineering Building in the Utility Services Conference Room, 105 E. Ash St. Attending the meeting were:

Task Force:
John Conway, Chair
Tom Baumgardner, Vice Chair
Tom O'Conner, Member
Dick Malon, Member
Dick Parker, Member
Hank Ottinger, Member
Dave Wollersheim, Member
Bob Roper, Member
Ernie Gaeth, Member – Absent

Columbia Water and Light Staff:
John Glascock, Interim Director
Jim Windsor, Manager of Rates and Fiscal Planning
Tina Worley, Utility Services Manager
Connie Kacprowicz, Public Information Specialist
Mike Schmitz, Engineering Manager
Marilyn Thorpe, Administrative Support Supervisor
Stephanie Brown, Administrative Support Assistant

Barbara Hoppe, Council Member
Ryan Kind, Guest

John Conway opened the meeting at 5:40 p.m.

Mr. Conway asked for reflections on the Interim Integrated Resource Plan (IRP) from the task force. He said to begin with the supply side, end with the demand side and that the first order would be to give any comments on the assumptions made in the IRP draft. The second would be to reflect back on the previous public meeting and analyze whether the public input has been pursued in the report.

Mr. Parker said in order to comply with the Mayors' Climate Protection Agreement, the City Council should be informed of the CO2 assumptions in the draft and that the task force should make sure that the IRP includes plans to meet the criteria of the U.S. Mayor's Climate Protection Agreement of a CO2 emissions drop of 7% compared to the 2000 amount by 2012. He said according to Appendix D, replacing all coal with wind generated power would achieve that level. Hank Ottinger mentioned that transportation will be able to cover that as well. John Glascock said Bill Watkins is working with a consultant on overall city improvement and that efforts do not need to be duplicated.

Dick Parker said he was not sure where the operation maintenance costs were located.

David Wollersheim said that at the last meeting carbon tax was mentioned and that the lowest cost options should be considered. He believed that it is not an option to consider an alternative to coal production. He also said that reliability will need to be considered and doesn't think natural gas will be a viable long term option.

Dick Malon said to keep in mind that this is a municipal utility and that Water and Light owes it to the customers to consider the lowest cost option. He said there is also a fiduciary responsibility to the current bond holders to pay them back and stick to lower cost items which would be one of the first five options under the Strategist analysis.

Mr. Parker agreed with Mr. Malon's comment from last week that some wind alternatives need to be included and if there is to be carbon tax in the future, the model should include that scenario. Mr. Malon said when energy is bought off the market, the carbon tax will be included in the cost. He also commented that forecast market used for the information in Table 3-5 of the report doesn't include carbon tax.

Mr. Parker said Burns and McDonnell did a good job and wants to add flexibility as a goal as well as cost and reliability because of the uncertainty of what's to come. Mr. Conway said to keep in mind a basic understanding that the assumptions still have not been equated to electric rates. It is based on net present value. Mr. Parker expressed concern over the net present value used by Burns and McDonnell.

Mr. Parker said the community should be made aware of the options before one is chosen and that three components should be considered in the decision on what plan to choose: low cost, flexibility, and a more aggressive renewable energy plan. Mr. Parker provided a handout with some calculations he performed using $20 a ton and $50 a ton as appropriate values. He said Table 3-6 on page 3-23 shows that coal is cheaper than with a carbon tax of $30, but using the Strategist approach on zero cost assumptions is no longer true once carbon tax is introduced.

Hank Ottinger supported suggesting to Burns and McDonnell to include a carbon tax. He felt it would be reasonable to have a report that addresses a green alternative as well. Tom O'Connor said compared the PROMOD analysis, no green ideas are included in the Strategist model. Jim Windsor said there are historical costs available with other examples such as coal whereas there are no costs to go with wind produced energy, so a full model cannot be performed. Mr. Malon said there is a certain level already built into the models.

Mike Schmitz explained that the Strategist analysis considers long term planning and the baseline usage is in years. The PROMOD model uses hourly scheduling. It is the cheapest model per peak hour. He said it might be better finding the baseline in PROMOD.

Mr. Parker suggested rerunning the models with the carbon tax and choosing the lowest cost option from that. Mr. Malon said the Strategist model is not the lowest cost assumption. Mr. Parker said the carbon tax will not raise the cost of the wind produced energy. Bob Roper said to mention that it's speculation to consider governmental actions on carbon tax. Mr. Windsor said a carbon tax will impact off peak more because that is when coal is mainly used in a higher quantity. The tax will impact the on peak less because natural gas is used in a higher quantity. Kiah Harris had said at a previous meeting that a backup is needed.

Mr. Ottinger said the feasibility of biomass would be impacted by a carbon tax. Tina Worley said she met with MFA Business Men and Farmers to discuss the feasibility of biomass and establish a board. She talked to Norfolk Southern who said that most of the biomass pellets being produced are mostly being shipped to Europe because there is currently not enough technology here. Mr. Parker said feasibility should be kept in mind but not considered right now.

Mr. Glascock handed out a memo explaining the Water and Light staff choices. He said option three was chosen because of cost and flexibility. Mr. Parker suggested rerunning options 1, 2, 3, and 5 with the carbon tax to get an optimum. Mr. Conway mentioned that the carbon tax is predicted to not go above $30 a ton before 2027 according to Burns and McDonnell. Mr. Malon said to rerun the comparables 1-5 with a carbon tax of $30 a ton. $50 a ton is too far out to consider right now. With the carbon tax options 1-5 would be higher than options 8-10. Mr. O'Connor said to look at the range of $0, $30, and $50 a ton. Mr. Parker asked if a new base option will be determined once options 1-5 are rerun. Mr. Malon said a carbon tax will not start until 2015 and anything done today will not be feasible for the next seven years. The DSM needs to be measured against the current numbers.

Mr. Parker would like to see the DSM run against the optimum derived from the new assumptions with the CO2 tax.

Mr. O'Connor said he would like to see more alternative energy assumptions and more development of the options regarding concentrated solar energy. Mr. Malon said those options were eliminated due to cost.

Mr. Ottinger would like to send a review of the report to the City Council.

Mr. O'Connor wanted a more complete and detailed view of how the consultants arrived at their calculations.

Mr. Ottinger said the consultants were supposed to provide an analysis of the current DSM program according to the Request for Proposal (RFP). Renters, duplexes, apartment complexes, and certain types of commercial buildings were not addressed in the IRP. Mr. Parker requested that the consultants provide the cost of benefits for duplexes and apartments. Ms. Worley said Burns and McDonnell didn't talk about certain things because they were looking at the larger percentage energy usage items. Mr. Ottinger had questioned why thermal storage was not addressed in the draft IRP. Ms. Worley said thermal accounted for a small percentage but will eventually be addressed. Staff has not gone through the remainder of the report including the residential portion. Ms. Worley said these options are most effective in the commercial sector.

Mr. Parker said in regards to the DSM, the electrical costs to the customers should be included in the tables. He said the customers need to be informed on what they can save. Ms. Worley said Burns and McDonnell will do more comparisons after they get more cost information. Mr. Parker said he wants to see the calculations for the customer billing savings.

Mr. Ottinger said the task force needs to choose either a utility driven or customer driven direction for the analysis. Mr. Parker said they should fulfill the scope of services outlined in the RFP. It is asking for a customer driven direction.

Mr. Roper verified that the task force wants Burns and McDonnell to rerun Strategist Options 1-5 with the carbon tax at $30 a ton. Strategist will determine the options to run in PROMOD.

Mr. Conway proposed to set a deadline to have the task force e-mail comments to him to include in a memo to Kiah Harris of Burns and McDonnell. Mr. Conway said the next steps will be to give the memo to Burns and McDonnell, review the revised report and set a public meeting. He would like the task force to submit comments to him by the end of the week.

Mr. Parker motioned to adjourn at 8:10 p.m. Mr. Malon made a second.

Prepared by: Stephanie Brown, ASA II