

SUMMARY OF ACTIONS  
REGULAR MEETING OF THE BOARD OF PUBLIC UTILITIES  
OF SPRINGFIELD, MISSOURI, HELD THURSDAY, OCTOBER 25, 2007

Board Members Present:

Mike Chiles  
Thomas Finnie  
Virginia Fry  
David Jones  
Mark McNay  
Lisa Officer  
Ronald Reynaud  
Don Thomson  
Phil Wannemacher

1. Opening Remarks

Chairman Fry announced the appointment of the 2008 Officers Nominating Committee.

Reminded the Board of the Retreat on Friday, October 26, at noon in the Training Center Classroom, and the Past Board Chairmen's Luncheon on Friday, November 2, 2007, at noon in the C. Frank Knox Board Room.

2. Approval of Minutes

Unanimously approved the Minutes of the Regular Board Meeting held September 27, 2007, as presented.

3. Public Comment

Mr. Carl Votaw and Dr. Russell Rhodes addressed the Board.

4. Committee Reports

--EXECUTIVE COMMITTEE

Received a report that the Executive Committee had a closed meeting pursuant to §610.021 (13).

5. Financial Statements

Unanimously approved the financial document, including the budget disbursements for the year-to-date through September 30, 2007, as presented.

Unanimously approved budget carry-ins for 2007, as presented.

6. General Manager's Report

Received various reports.

Unanimously approved the acceptance of property from the City of Springfield at the corner of Fremont and Sunset for a utility easement.

The meeting went into closed session at 4:31 p.m.

MINUTES OF A  
REGULAR MEETING OF THE BOARD OF PUBLIC  
UTILITIES OF SPRINGFIELD, MISSOURI

The Regular Meeting of the Board of Public Utilities of Springfield, Missouri, was held at 301 East Central Street, Springfield, Missouri, on Thursday, October 25, 2007, at 3:00 p.m.

Present:

Mike Chiles  
Thomas Finnie  
Virginia Fry  
David Jones  
Mark McNay  
Lisa Officer  
Ronald Reynaud  
Don Thomson  
Phil Wannemacher

Absent:

Patrick Platter

Ex-Officio Board Member Present:

Bob Cumley

constituting a majority of the Board and a quorum.

In addition to the above Board Members, the following persons were present at the meeting:

Joel Alexander  
Andy Dalton  
Mike Finch  
D. J. Freeman  
Carl Haworth  
Jason Holcomb  
Robin House  
Janet Hudson  
Carolyn Hutton  
Amanda James  
Wes Johnson  
Matt Keener  
Kyle McClure  
Cathy Meyer  
Scott Miller  
Donna Pinegar  
Brenda Putman  
Ken Reasoner  
Russell Rhodes  
Ray Ross

Cara Shaefer  
Jim Shuler  
Wade Stinson  
Dean Thompson  
John Twitty  
Mark Viguet  
Carl Votaw

Mrs. Virginia Fry, Chairman of the Board, presided and called the meeting to order, and Mr. Mark McNay, Secretary of the Board, served as Secretary of the meeting.

1. Chairman Fry welcomed everyone to the meeting and announced the appointment of the 2008 Officers Nominating Committee. She appointed Don Thomson, Ronald Reynaud, and Lisa Officer to serve as members, with Mrs. Fry serving as the Chairman of the Committee. The Committee's recommended slate of officers will be presented at the November Board Meeting.

Chairman Fry reminded the Board of the Board Retreat being held on Friday, October 26, beginning at noon in the Training Center Classroom. She also reminded them that there would be a Past Board Chairmen's Luncheon on Friday, November 2, at noon in the C. Frank Knox Board Room. Chairman Fry stated this would be a good time to visit with the Past Board Chairmen and encouraged Board members to attend if their schedule would permit.

2. Next, Chairman Fry presented Minutes of the Regular Board Meeting held September 27, 2007. Upon a motion duly made by Mr. Thomson, and seconded by Mr. Finnie, the Board unanimously approved the Minutes, as presented. Chairman Fry commented on a concern that was raised in the September meeting with regard to additional detail in the Minutes. Chairman Fry requested Mr. Andy Dalton, Associate General Manager – General Counsel, to give his legal opinion regarding the format of the Minutes. Mr. Dalton stated that after researching the issue, in his opinion, the Minutes are accurate and reflect what happens in the meetings.

There was discussion on this matter among the Board Members, and it was the consensus of the Board that the Minutes continue to be prepared in the same way as has been done in the past.

3. Next, Chairman Fry asked if there were any members of the public who wished to address the Board. Mr. Carl Votaw stated he was in favor of continuing to allow windsurfing on Fellows Lake. He said that he does not feel that windsurfing is a water contact sport, and doesn't believe it will contaminate the water.

Dr. Russell Rhodes stated he was opposed to windsurfing or any other recreational activity that would allow body contact with the water in Fellows Lake. He is concerned about contaminating the water supply, and is also concerned about the increased cost to treat the water if additional recreational activities are allowed.

In response to questions, Mr. John Twitty, General Manager, stated that Dr. Jim Blaine had contacted the utility several years ago about the possibility of additional recreational activities at Fellows Lake. After the initial contact, this matter was

not pursued any further. Mr. Twitty indicated that management is looking at further restrictions at Fellows Lake, but did not have anything for Board consideration at this time.

4. The next order of business to come before the meeting was Committee Reports by Committee Chairmen.

--EXECUTIVE COMMITTEE

Chairman Fry stated the Executive Committee met on October 5, 2007, in a closed meeting pursuant to §610.021 (13) RSMo. to discuss a personnel matter.

5. Next, Mr. Jim Shuler, Associate General Manager – Finance/CFO, presented the Financial Statements and supporting documents for the year-to-date through September 30, 2007, for Board consideration.

Upon a motion duly made by Mr. Finnie, and seconded by Mrs. Officer, the Board unanimously approved the Financial Statements and supporting documents, including the attached budget disbursements, as presented.



Mr. Shuler reviewed the budget carry-ins for 2007. Mr. Shuler stated that at the end of each fiscal year, management reviews project expenditures to determine where schedules have shifted, which necessitates funding to be moved from one period to another. After management review and approval, \$30.4 million in carry-in requests have been identified.

Mr. Shuler stated that the utility has \$37,506,421 of funds available for carry-ins. Funds requested total \$20,755,158. He said that additionally the \$9.6 million of TEA guarantees automatically carry forward since they were not spent, resulting in a total of \$30,398,016 of budget funds to be moved to fiscal year 2008. The net result is that fiscal year 2008 will end with fund balances \$850,258 higher than originally budgeted.

Summarizing the carry-ins by expenditure category, the utility's appropriations for 2008, excluding SW2, were originally budgeted at \$479.2 million. The addition of the \$30.4 million carry in requests results in a new total budget, excluding SW2, of \$509.6 million.

Upon a motion duly made by Mr. Thomson, and seconded by Mr. Reynaud, the Board unanimously approved the budget carry-ins for 2007, as presented.

6. The next item to come before the Board was the General Manager's report.

Mr. Wade Stinson, Associate General Manager – Operations, presented the operations report. Regarding transit, Mr. Stinson reported that although September's bus ridership was not as high as last year's (168,578 versus 176,444), the fiscal year of 2007 experienced the highest ridership on record. Transit provided 2,047,496 rides during the 2007 fiscal year compared to 1,903,926 rides for fiscal year 2006, an increase of 8%.

Mr. Stinson stated that transit fares were increased on October 1 with adult fares increasing from \$.75 to \$1.00. Initial ridership totals in October indicate a 17% decrease in ridership, most likely a reflection of less casual trips being taken. However, transit revenues are increasing despite this decline in ridership.

Transit advertising revenues were also the highest on record during fiscal year 2007. Revenues realized through transit's advertising program totaled \$131,371, up from last year's revenue of \$98,949. Mr. Stinson said that transit's goal has been to realize \$100,000 annually from advertising.

Regarding natural gas, Mr. Stinson reported that the current twelve-month futures price is \$7.80/Dth versus \$8.00/Dth last year, down approximately 3%. Last month's futures price was \$7.60/Dth. The current cash price is \$6.08/Dth versus \$6.07/Dth last year, which is less than a 1% increase. Last month's cash price was \$5.04/Dth.

Mr. Stinson said that plant performance tests at the Lake Springfield Natural Gas Peaking Station were successfully conducted at the end of September, and City Utilities' personnel have been trained in plant operations. The plant dedication ceremony was held on October 24 at the Lake Springfield Natural Gas Peaking Station site.

Regarding water distribution and supply, Mr. Stinson stated that the current lake storage is 82.7%. The historical average is 73.7%.

Regarding the 48-inch main installation between Fellows Lake and the Blackman Water Treatment Plant, Mr. Stinson said that the bore under Interstate 44 has progressed to 100 feet of a planned 260 foot total. This is the last of five bores included in the total six-plus mile length. A second crew has installed 14,000 feet of 48-inch pipe. He said that the contractor, Beemer Construction of Kansas City, has also established a third crew to install pipe in the south portion of the route. A clean up crew follows behind the pipe-laying to restore the right-of-way.

Regarding water treatment, Mr. Stinson stated that basin number three at the Fulbright Water Treatment Plant and the south basin at the Blackman Water Treatment Plant have been drained for fall cleaning.

Mr. Stinson said that another treatment of cutrine was applied in the upper regions of McDaniel Lake to address algae growth. Cooler temperatures have helped in the progress of lake turnover. Being a larger lake, Fellows is slower to turnover, but has not demonstrated the taste and odor potential of McDaniel Lake. Mr. Stinson said that lake turnover marks the end of taste and odor concerns for the year.

Regarding electric transmission and distribution, Mr. Stinson reported that the contract for post storm repairs will be bid again due to the three lowest bids all being noncompliant. The lowest bid contained errors and the next two low bids were incomplete. Tree removal and hanger removal units will be removed from the contract and bid separately. The new bid opening is planned for October 31. The completion date of June 12, 2008, remains the same.

Mr. Stinson said that the new Department of Energy distribution transformer efficiency standard was released on October 12, which will take effect January 1, 2010. Required efficiencies range from 98.62 to 99.49 depending on the size of the unit. Mr. Stinson said that the utility has asked the transformer vendor to review the utility's current design to see if it meets the new standard.

Mr. Stinson said that a news conference was held on October 18 regarding tree trimming activities. Proper pruning methods and clearances were discussed, along with the utility's push to be more aggressive with tree trimming. Customers were also reminded of safety issues when pruning trees themselves, and to plant the right tree in the right place. Mr. Stinson said that the utility currently has 17 tree crews working on the system.

Regarding customer engineering/developer services, Mr. Stinson reported that Developer Services met with representatives from the Missouri Department of Transportation, Greene County, the City of Springfield, and developers regarding the future development of the Keltner Property at Highway 60 and Highway NN. The Missouri Department of Transportation will complete preliminary design of a proposed interchange by November, but funding has not been secured at this time. Mr. Stinson said that City Utilities is working on a plan for water distribution and storage in conjunction with the proposal.

Regarding energy management and conservation, Mr. Stinson reported that beginning November 1, the utility will begin offering an ENERGY STAR<sup>®</sup> Home Rating Service. This is primarily targeted to energy-efficient new home construction, although energy-efficient existing homes may also request this service. A thorough testing of the home is performed by the utility's certified Home Energy Rating professional. The Home Rating Service will cost City Utilities' customers \$350, which is normally priced at over \$500. The ENERGY STAR<sup>®</sup> label brings value to the home by quantifying its energy efficiency.

Mr. Stinson said the utility has had a great response on the ENERGY STAR<sup>®</sup> Heating & Cooling rebate program that began October 1. The utility has received over 75 rebate applications, the majority for the Pre-Season HVAC Tune-Up. He said that the utility has issued a total of 39 rebates, for a total of \$2,190. (38 rebates for the HVAC Tune-Up and 1 rebate for the Geothermal Heat Pump.) Mr. Stinson said that the utility is offering rebates for ENERGY STAR<sup>®</sup> rated: Central air-conditioner, natural gas furnace, air-source heat pump, geothermal heat pump, and seasonal HVAC tune-up.

Regarding the commercial lighting rebate, Mr. Stinson said that the utility has processed 13 rebates, for a total of \$37,818. He said that there are 15 other projects approved, with most of these reaching the maximum rebate of \$5,000.

Next, Mr. Scott Miller, Associate General Manager – Electric Supply, gave an electric supply report. Mr. Miller reported that the James River Operations, James River Maintenance, Southwest Operations, Southwest Maintenance and Electric Dispatch have all completed at least one year without a lost time accident. He said that considering the amount of work that has been accomplished, this is very significant.

Mr. Miller stated that James River Unit 5 is in the middle of the fall planned maintenance outage. Unit 5 experienced some forced outages this year due to material that had experienced the end of its useful life. That material is being replaced and management expects the unit reliability to improve in the future. Mr. Miller said that the economizer will be replaced, thus improving unit emissions and efficiency.

Regarding the transmission system, Mr. Miller reminded the Board that last year the utility was audited by the Southwest Power Pool (SPP) to ensure that it was in compliance with North American Reliability Council (NERC)/SPP Transmission Operations Standards. The results of that audit showed that City Utilities had no violations. He said that the utility will be audited in the spring of 2008 and 2009. These audits are part of the NERC enforcement of its 83 new and existing standards. He said this stems from the summer blackout in 2003 in the eastern United States.

Next, Mr. Ross presented a natural gas financial transactions update. Mr. Ross said that options allow the utility to limit customers' exposure to natural gas price increases, while still allowing customers to benefit from natural gas price decreases. Basically options provide a level of insurance against high prices, in exchange for a fixed premium. He said that all costs or gains go to firm natural gas customers.

Mr. Ross presented the following charts for the winter 2007-2008 natural gas requirements and options:

<b>Month</b>	<b>Firm Requirements</b>	<b>Storage Withdrawal</b>	<b>Contracts</b>	<b>Exposed</b>	<b>Hedged</b>
Dec. 2007	1,907,500	569,535	592,617	745,348	500,000
Jan. 2008	1,887,200	810,115	592,617	484,468	250,000
Feb. 2008	1,581,500	591,140	558,798	431,562	200,000
March 2008	1,179,900	310,809	398,094	470,997	150,000
Winter 2007 - 2008	6,556,100	2,281,599	2,142,126	2,132,375	1,100,000

<b>Option</b>	<b>Purchase</b>	<b>Expiration</b>	<b>Strike Price</b>	<b>Volume (Dth)</b>	<b>Purchase Price</b>	<b>Market Value*</b>
Call - Dec. 2007	09/05/07	11/27/07	\$8.00	250,000	\$142,500	\$83,000
	09/26/07	11/27/07	\$8.00	250,000	\$142,500	\$83,000
Call - Jan. 2008	09/05/07	12/26/07	\$8.00	150,000	\$118,500	\$99,900
	09/26/07	12/26/07	\$8.00	100,000	\$85,000	\$66,600
Call - Feb. 2008	09/05/07	01/28/08	\$8.00	150,000	\$133,500	\$124,500
	09/26/07	01/28/08	\$8.00	50,000	\$48,250	\$41,500
Call - Mar. 2008	09/05/07	2/26/08	\$8.00	150,000	\$133,500	\$121,950
				1,100,000	\$803,750	\$620,450

\*October 24, 2007 closing

Mr. Jones comes to the meeting at this point.

Next, Mr. Twitty reported that the employees of City Utilities had contributed in excess of \$151,000 to the United Way campaign. He said that this was the highest amount that had been donated by the employees.

Mr. Twitty read a portion of a statement from the President and CEO of NERC in which he reported that the demand for electricity in the United States is projected to grow more than twice as fast as supply over the next ten years. He said that the Midwest and other areas could fall below their target reserve margins within two or three years. Peak demand for electricity in the United States is forecasted to increase by nearly 18% in the next ten years, but committed resources to meet demand, including demand response programs, are projected to increase by only 8.5%.

Though some improvements have been made, the United States is requiring its aging grid system to bear more and more strain, and is operating the system at or near its limits more often than ever before. As operating margins decrease, utilities are being limited in the ability to manage unplanned events like equipment failures and extreme weather.

Mr. Twitty said that this statement summed up what has been discussed regarding the challenges of the transmission system in America. He said that these types of situations will tend to cause utilities to build resources close to load like City Utilities is doing.

Mr. Twitty requested Mr. Shuler to give an update on the natural gas prepay contract with Tennergy. Mr. Shuler reported that this is a 20-year contract with Tennergy, and there are approximately 1.8 million dekatherms annually included in the natural gas prepay transaction. This will be a minimum discount of sixty cents, which equates to approximately \$1 million per year savings to the customers of City Utilities. Mr. Shuler stated that the natural gas supplier is J. P. Morgan Ventures.

Mr. Shuler said that initially the flow date was going to be October 1, 2007, but due to problems in the financial market, Tennergy noticed some nervousness with investors and felt that it was not a good time to go to market. As Tennergy continued to monitor the market, it became apparent that they would not be able to go to market in time to meet the October 1 delivery date. Mr. Shuler said that management has signed some letter agreements that extend the delivery date from October 1 to January 1.

Next, Mr. Twitty requested approval for acceptance from the City of Springfield of a small piece of property at the corner of Fremont and Sunset. He reminded the Board that the utility used to have a utility easement at this location for electric lines, telecommunications equipment and other facilities. The City of Springfield purchased some houses at this location to improve the intersection, and when they moved the right-of-way, the utility no longer had as much of an easement as was necessary for its facilities.

Mr. Twitty said that management has worked out an arrangement with the City of Springfield to acquire the property necessary for an adequate easement. He said that City Council is acting on this as an action item and he would like to have approval from the Board to accept the property.

Upon a motion duly made by Mrs. Officer, and seconded by Mr. Finnie, the Board unanimously approved the acceptance of this property.

Chairman Fry then asked if there were any other items to properly come before the Board; there were none. Chairman Fry then asked if any Board Member had any items for the Board to hear; there were none.

Chairman Fry stated if the majority of Board Members present favored it, the Board would hold a closed meeting, record, and vote to consider matters within the purview of Section 610.021(13) RSMo. (Supp.), for the purpose of discussing a personnel matter. Chairman Fry moved that the meeting go into closed session for the stated purpose; Mr. Wannemacher seconded the motion. Chairman Fry requested the Board Members present indicate, by a raise of hands, those in favor of conducting this closed meeting:

Aye:	Mike Chiles
	Thomas Finnie
	Virginia Fry
	David Jones

Mark McNay  
Lisa Officer  
Ronald Reynaud  
Don Thomson  
Phil Wannemacher

Those opposed to conducting the meeting:

None

Chairman Fry stated the Board would not reconvene following the closed session. The meeting went into closed session at 4:31 p.m.

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Mark McNay, Secretary  
Board of Public Utilities of Springfield, Mo.

10-25-07