

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

A meeting of the Board of Public Utilities of Springfield, Missouri, was held at 301 East Central Street, Springfield, Missouri, on Tuesday, December 18, 2007, at 8:13 p.m.

Present:

Mike Chiles
Virginia Fry
David Jones
Mark McNay
Patrick Platter
Ronald Reynaud
Don Thomson
Phil Wannemacher

Absent:

Thomas Finnie
Lisa Officer

Ex-Officio Board Member Absent:

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:

Members of City Utilities' Staff
Members of the Public

Mrs. Virginia Fry, Past Chairman, read the following statement in response to the Missouri State Audit of City Utilities:

Good evening. I'm Virginia Fry and I served as Chairman of the Board of Public Utilities during the recent audit of City Utilities of Springfield.

We are here tonight to provide you with the response from the Board of Public Utilities and City Utilities to the audit conducted by the State Auditor's office. After my brief comments on behalf of the Board, we will be happy to answer your questions.

This has been an exhaustive process for the Board and City Utilities' staff. Members of the State Auditor's staff first arrived at CU in mid-January, and for the past 11 months, CU staff and the Board have worked diligently to provide information that was requested and to respond to inquiries about that information.

The Board has been actively engaged in this process and met on three separate occasions to review the findings and provide responses to the State Auditor. For reference, in your copy of the audit report, you will find the responses from the Board with respect to each of the findings.

Before we answer your questions, there are several points I'd like to make on behalf of the Board and CU staff:

First, this audit found no financial fraud or abuse at City Utilities. For example, on receipts of more than \$445 million for the fiscal year ended September 2007, there was a net shortage of only \$348. That speaks to the internal controls, through policies, processes and technologies, which are routine throughout the operations of the utility. This type of financial accountability is one of many reasons utility customers in Springfield pay some of the lowest electricity and natural gas rates in the entire country.

Second, City Utilities plays a unique role in supporting an excellent quality of life in Springfield. That involves some judgments that must be made about the utility's operation. One example: CU's transit system, operated by the utility as directed by the City Charter, provides a means of transportation for not only those who choose to use public transit, but also passengers whose *only* means of transportation is the bus. Should the transit system receive a subsidy from elsewhere in the utility to maintain adequate service for the public? We believe it is the necessary and responsible thing to do.

Third, an internal audit function has been in place at City Utilities for at least 30 years. Led by the Chief Internal Auditor, this function provides consultation on best-practices for internal controls to the Board, senior management and departments throughout the utility. The General Manager and the Board believe this function is critical to the effective operation of the utility. In fact, some issues noted in the audit report were identified and addressed by our internal audit staff *prior* to the commencement of the state audit.

Fourth, I want to stress that the Board and the CU staff are committed to doing everything reasonable to make the utility stronger tomorrow than it is today. To that end, we will carefully consider each of the audit recommendations. We expect CU staff to report back to the Board periodically on the progress we've made in responding to each of them.

Let me conclude by saying that the entire Board believes CU is an exemplary community-owned utility that provides the most critical of services to its many customers. This utility is staffed by men and women who are committed to the highest professional standards. As members of the Board, we have complete confidence in their abilities to do what needs to be done, and to do it in the right way.

Following her statement, Mrs. Fry and Mr. John Twitty, General Manager, responded to questions from the media and members of the public.

There being no further business, the meeting adjourned at 8:56 p.m.

Patrick Platter, Assistant Secretary
Board of Public Utilities of Springfield, Mo.

12/18/07