

SUMMARY OF ACTIONS
REGULAR MEETING OF THE BOARD OF PUBLIC UTILITIES
OF SPRINGFIELD, MISSOURI, HELD THURSDAY, JANUARY 31, 2008

Board Members Present:

Mike Chiles
Krystal Compas
Thomas Finnie
Virginia Fry
Mark McNay
Lisa Officer
Mike Peters
Patrick Platter
Tom Rankin
Phil Wannemacher

Special Items:

Mr. James Fryar was presented the Bus Driver of the Year Award.

Received an update from Deborah Sliz on electric industry legislation.

1. Opening Remarks

Received revised Committee appointments for 2008.

The Board was reminded of the upcoming Legislative Breakfasts to be held in Jefferson City.

2. Approval of Minutes

Unanimously approved the Minutes of the State Auditor's Release of the City Utilities' Audit, and the City Utilities' Press Briefing both held on December 18, 2007, and the Regular Board Meeting held January 3, 2008, as presented.

3. Public Comment

None.

4. Committee Reports

--AUDIT COMMITTEE

The Annual Independent Audit from KPMG was unanimously received, as presented.

5. Financial Statements

Unanimously approved the financial document, including the budget disbursements for the year-to-date through December 31, 2007, as presented.

6. General Manager's Report

Received various reports.

Unanimously adopted a resolution confirming the terms and conditions of the General Manager's Employment Agreement, and authorizing the Chairman of the Board to execute a supplementary Letter Memorandum of Understanding/Employment Agreement Addendum.

The meeting went into closed session at 5:27 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, January 31, 2008, at 3:00 p.m.

Present:

Mike Chiles
Krystal Compas
Thomas Finnie
Virginia Fry
Mark McNay
Lisa Officer
Mike Peters
Patrick Platter
Tom Rankin
Phil Wannemacher

Absent:

David Jones

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:

Joel Alexander
John Black
Carol Cruise
Pam Elsaesser
Mike Finch
James Fryar
Cheri Hamlin
Carl Haworth
Robin House
Leta Howard
Janet Hudson
Amanda James
Wes Johnson
John Lathrop
Dannette Libbee
Kyle McClure
Cathy Meyer
Scott Miller
Chris Oberlander

Brenda Putman
Ray Ross
Cara Shaefer
Eric Shinault
Jim Shuler
Deborah Sliz
Wade Stinson
Dean Thompson
John Twitty
Mark Viguet

Mr. Phil Wannemacher, Chairman of the Board, presided and called the meeting to order, and Mrs. Lisa Officer, Secretary of the Board, served as Secretary of the meeting.

Chairman Wannemacher called on Mrs. Carol Cruise, Director – Transit, to introduce Mr. James Fryar, Bus Operator, recipient of the 2007 Driver of the Year Award. Mrs. Cruise stated that nominations are received from supervisors and co-workers, and that consideration for the award is based on courtesy, performance, attendance, and safety. She noted Mr. Fryar has been with City Utilities since April 2001, and was also selected as the 2004 Driver of the Year. The Board congratulated Mr. Fryar for earning this award.

Mr. Fryar stated he was honored to receive this award and to work with such a great group of people.

Chairman Wannemacher called on Mr. Kyle McClure, Director – Public Policy/Governmental Relations, to introduce Ms. Deborah Sliz, Principal, Morgan Meguire LLC, and the utility's legislative liaison. Ms. Sliz updated the Board on electric industry federal legislation.

1. Chairman Wannemacher welcomed everyone to the meeting and presented the revised Committee appointments for 2008.

Chairman Wannemacher reminded the Board of the upcoming Legislative Breakfast to be held February 20, 2008, in Jefferson City, Missouri.

2. Next, Chairman Wannemacher presented Minutes of the State Auditor's Release of the City Utilities' Audit, and the City Utilities' Press Briefing both held on December 18, 2007, and the Regular Board Meeting held January 3, 2008. Upon a motion duly made by Mr. Platter, and seconded by Mrs. Officer, the Board unanimously approved the Minutes, as presented.

3. Next, Chairman Wannemacher asked if there were any members of the public who wished to address the Board; there were none.

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

--AUDIT COMMITTEE

Mr. Wannemacher, Chairman of the Audit Committee, introduced Mr. John Lathrop, a partner in KPMG, who then presented the audit report for the fiscal year ended September 30, 2007. Mr. Lathrop expressed his appreciation for the utility's cooperation and reported the Utility received an unqualified opinion. Mr. Lathrop stated his firm's responsibilities under the *Government Auditing Standards* are to perform an audit and ultimately to develop an opinion on the Utility's financial statements.

Mr. Lathrop stated the financial statements are fairly presented in accordance with accepted accounting principles. He said they had no disagreements with management on financial, accounting and reporting matters which would have a material impact on City Utilities' basic financial statements and noted no material weaknesses in City Utilities' internal control structure. Mr. Lathrop stated that KPMG found no indications of fraud or illegal acts and did not propose any audit adjustments or reclassifications which were not booked by management.

Mr. Lathrop reviewed ten areas of concentration for the auditors. These were the Missouri State Audit Report; Southwest Power Station Unit 2 construction; debt financings; investments; workers' compensation reserve; unbilled revenue accrual; fuel inventories; collectibility of receivables; recoverability of deferred charges; electric fuel and purchased natural gas adjustment.

In terms of ongoing accounting considerations, Mr. Lathrop stated that KPMG would be continuing to monitor the accounting for the construction of the Southwest Power Station Unit 2, investments, workers' compensation reserve, recoverability of deferred charges, and the new pension standard.

In response to a question from a Board Member, Mr. Lathrop stated that in his professional opinion, the practice of natural gas hedging, or locking in the price of natural gas for a heating season, is a normal practice used by most utilities that purchase natural gas. He said that this practice is both reasonable and appropriate.

In response to another question, Mr. Lathrop stated that he found no evidence that City Utilities was not abiding by any contracts, found no situations where there was a lack of internal controls, found no fraud, and did not find any situations where there needed to be any adjustments made with respect to the state audit findings.

Following extensive discussion, and upon a motion duly made by Chairman Wannemacher, and seconded by Mr. McNay, the Board unanimously received the annual independent audit, as presented.

5. Next, Mr. Jim Shuler, Associate General Manager – Finance/CFO presented the Financial Statements and supporting documents for the year-to-date through December 31, 2007, for Board consideration.

Mr. Shuler reported that the utility had selected R.W. Beck to perform a pricing sufficiency study. He said that R.W. Beck has begun this study and management anticipates presenting their findings to the Board in the summer time frame.

Mr. Shuler said that in accordance with the 2008 Annual Operating Plan, the utility anticipates a natural gas rate increase in 2008. He said that management would be bringing a recommendation to the Board in the near future.

Mr. Shuler stated that Fitch Ratings has completed its examination of the operations and finances of the Water Utility and has affirmed its AA rating. He said that Fitch Ratings will examine the Public Utility sometime this summer.

Regarding the Tennergy natural gas prepay transactions, Mr. Shuler said that the utility continues to investigate the transactions and work with Tennergy hoping that market conditions and natural gas prices get back to a point where it will be most advantageous for City Utilities' customers, so the utility can begin achieving the discount for a portion of the natural gas purchases. He said that market conditions are still not appropriate for any transactions. The utility will be extending its contract with Tennergy so it can continue to take part in natural gas prepay transactions when they are able to take place.

Upon a motion duly made by Mr. Wannemacher, and seconded by Mr. Peters, the Board unanimously approved the Financial Statements and supporting documents, including the attached budget disbursements, 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 ridership in December totaled 120,412 compared to 167,831 rides in December of last year, a decline of 47,419 rides. He said that passenger revenues in December increased 34% as compared to last December, increasing from \$51,728 to \$69,422.

Regarding natural gas, Mr. Stinson reported that the current twelve-month futures price is \$8.26/Dth versus \$7.69/Dth last year, up approximately 7%. Last month's futures price was \$7.87/Dth. The current cash price is \$7.37/Dth versus \$6.75/Dth last year, up approximately 9%. Last month's cash price was \$6.52/Dth.

Mr. Stinson said that test runs of the Lake Springfield Natural Gas Peaking Station were conducted on January 10 and 16. The tests confirmed the operability of the plant and served as formal qualification exercises for the plant operators.

Regarding water distribution and supply, Mr. Stinson stated that the current water storage is 85.6%. The historical average is 82.4%. He said that flow in the James River has decreased to a level such that the utility cannot use it in accordance with the utility's permit. The utility is pumping 15.5 MGD to Fellows Lake from Stockton Lake as the utility continues to test and make adjustments to the temporary system.

Mr. Stinson said that installation of the 48-inch main between the Blackman Water Treatment Plant and Fellows Lake continues. Two crews are working in the Greens Golf Course and Condominium Development. Management coordinated early in the project with representatives of the Greens to perform work during the least disruptive time possible, and continues to coordinate with the new representatives. He said that this work is being done by Beemer Construction from Kansas City.

Mr. Stinson said that crews have worked several main breaks during the cold weather. Work to repair a main near Bass Pro will be reinitiated very soon. He said that this project has been delayed by commercial customer requests to accommodate business needs. Main breaks where customers are without water were, and are, prioritized over those that do not cause customers to be without water, such as the one at Bass Pro. Mr. Stinson said that modeling completed during this delay has determined a way to carry out repairs that will save the utility approximately \$15,000. This delay accommodated customers, as well as saved money.

Regarding electric transmission and distribution, Mr. Stinson reported that the project to install Ethernet drops to all 43 substations is complete. This will allow for more reliable communication from the Substation Remote Terminal Units (RTUs) to the Energy Management System (EMS).

Mr. Stinson said that public meetings to discuss the tree trimming clearances and policy continue. Upcoming meetings are February 4 from 6 p.m. – 7:30 p.m. at the Library Station on North Kansas, and February 12 from 6 p.m. – 7:30 p.m. at the Library Center on South Campbell. To date, management has met with the Tree City USA Citizen's Advisory Committee, City Utilities Citizens' Advisory Council, and the Urban Neighborhood Alliance.

Regarding SpringNet, Mr. Stinson reported that City Utilities' personnel met with Missouri Public Service Commission staff in late December to discuss issues raised in the Missouri State Auditor's Report concerning SpringNet's PSC certificate. A report from the PSC is expected soon.

Mr. Stinson said that PHNS, a company based out of Dallas, Texas, moved into the newly constructed 300 Series building at SpringNet Underground. This will increase SpringNet Underground revenues approximately \$40,000 per month.

Regarding energy management and conservation, Mr. Stinson reported that the energy management and conservation department will have a booth at the HBA Home Show. In addition to the booth, there will be three seminars on residential energy and water efficiency.

Mr. Stinson said that the utility has processed 1,483 rebates in the first three and a half months of this program year (October 1, 2007 – January 18, 2008) compared to 863 for all of the 2007 program year (October 1, 2006 – September 30, 2007). This is due to offering more rebate programs, and the increased awareness by customers.

Mr. Stinson said the utility is nearly complete with the development of an Energy Efficiency Grant program, which would allocate up to \$50,000 per year for efficiency projects that do not fall within one of the existing rebate programs. He said that commercial City Utilities' customers who are not-for-profit organizations, academic institutions, or governmental entities would be eligible for the grant program.

Tom Finnie came to the meeting at this point.

Next, Mr. Scott Miller, Associate General Manager – Electric Supply, gave an electric supply update. Regarding renewable projects, Mr. Miller reviewed two renewable energy purchases the utility has been examining.

Mr. Miller said that in June 2007, the utility sent out a Request for Proposal for renewable energy. Three proposals were received. Two of the proposals were eliminated because one proposal did not have delivery available, and the other was not economical for the utility to pursue.

He said that the utility is studying the Smokey Hills Project in Salina, Kansas. This is a 250 megawatt development, and the utility would be purchasing 25 megawatts. The construction is to be completed by the end of 2008, and pricing still has to be determined.

Another project is the Cloud County Project in Cloud County, Kansas. This is a 208 megawatt development, and the utility would be purchasing 25 megawatts. Completion is scheduled for the end of 2008. The price given to management is \$52 per megawatt-hour. Mr. Miller said that management is going to request Cloud County to extend that pricing because transmission studies are taking longer than anticipated.

Mr. Miller reviewed the Southwest Power Pool's (SPP) process for determining transmission costs for different projects. He stated that SPP has three transmission study periods per year, four months each.

Regarding transmission for the Smokey Hills Project, the original study indicated that City Utilities would have to contribute \$6 million for transmission. After running the model several more times, City Utilities share would now be \$431,000. He said that there are some transmission restraints in Arkansas and Missouri that the utility would have to work out with other entities. Management would then have to determine what the costs of fixing the restraints are and then combine those costs with the SPP cost to determine the total cost of transmission. He said the utility would have to enter into a contract for the wind energy this year, but transmission would not be available until 2010.

Regarding transmission for the Cloud County Project, Mr. Miller stated that the original study indicated the utility's cost for transmission would be \$15 million. Management is waiting to see how much that cost lowers after the model is run several more times. He said that the utility would have to enter into a 15-year contract this year, but transmission would not be available until 2013.

Regarding SW2, Mr. Miller reported that all activities were on schedule and presented the following upcoming milestones:

- Commence Substructure B Work – February 2008
- Boiler Island Construction Award – February 2008
- Commence Chimney Erection – March 2008
- Balance of Plant Contract Award – May 2008
- Commence Major Field Construction – August/September 2008
- Turbine/Generator Delivered – March 2009
- First Fire – September 2010
- Commercial Operation – End of 2010

Regarding project contracts, Mr. Miller stated that 19 of the 20 equipment supply contracts have been awarded; all three of the supply and erect contracts have been awarded; and 4 of the six construction contracts have been awarded, with two of those being completed.

Regarding project financing, Mr. Miller stated that project expenditures are behind scheduled cash flows. He said that to date, the utility has earned \$2.8 million more in interest than forecast.

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.

Mr. Ross provided a transaction update stating that the utility sold 300,000/Dth February 2008 options. These were \$8 strike calls, and the sale resulted in a net expense of \$213,886. He said that the February 2008 NYMEX settled at \$7.996.

Mr. Ross reviewed a summary of activity for the purchases and sales of natural gas options to date for the winter heating season.

Next, Mr. McClure gave a legislative update. He stated that management will be visiting with several legislators during an upcoming APPA Legislative Conference in Washington.

Mr. McClure reported that Senate Bill 1426 regarding broadband is in the Senate, but has not yet been heard. He said that the utility will continue to monitor this bill.

He reported that on January 5 the Governor's Rural High Speed Internet Task Force came to City Utilities for a public meeting. Mr. Twitty spoke about the importance of telecommunications to the rural areas. The Task Force will be presenting its report on how to better serve rural Missouri on February 1, 2008.

Regarding copper theft legislation, Mr. McClure reported that there are currently three bills dealing with this issue. He said that the Missouri Public Utility Alliance testified in support of Senate Bill 802.

Regarding energy efficiency legislation, Mr. McClure stated management expects some legislation on issues that primarily stress cost recovery through the rate design on Public Service Commission ordered energy efficiency programs. He said that while this does not affect municipals, management will be watching that legislation. Another bill may be a residential fuel cell or solar power generation tax deduction at a state level.

Mr. McClure stated that there may be some mutual aid legislation to update the existing statute. This will most likely address the responder's liability during an emergency.

Mr. McClure thanked all those who attended the Salute to Legislators in Jefferson City on Wednesday, January 30, 2008.

Next, Mr. John Twitty, General Manager, called attention to the Ice Storm Action Update. He said that following the January 12, 2007, ice storm, management put together several recommendations to make the City Utilities' system better. Mayor Carlson and Presiding Commissioner Coonrod appointed a Committee that also made recommendations. The update reports what actions have been completed on those recommendations, and what progress is being made on the recommendations that have not yet been completed.

Mr. Twitty also reviewed the State Audit Action Plan Update. He said that this update recites the 72 recommendations from the Missouri State Audit Report, and shows the person responsible for each item and its status. He noted that 32 of those recommendations have already been completed.

Mr. Twitty said that there were two items in the Missouri State Audit Report relating to the General Manager specifically. One of the items listed as a recommendation was to update the General Manager's Employment Agreement, and the second one was to require the General Manager to keep the Board updated on organizations in which he is active. Mr. Twitty stated that he does that on an annual basis and will continue to do so. He then presented the following resolution regarding the General Manager's Employment Agreement:

WHEREAS, the Board of Public Utilities of Springfield, Missouri, duly adopted a resolution on October 25, 2001, which resolution sets out certain terms and conditions for the employment of John Twitty as General Manager and Chief Executive Officer of City Utilities of Springfield, Missouri; and

WHEREAS, the resolution authorized the Chairman of the Board to execute on behalf of the Board of Public Utilities a Letter Agreement and Memorandum of Understanding dated October 25, 2001, which sets out agreed terms and conditions of employment; and

WHEREAS, the Board wishes to confirm the terms and conditions of employment, determining it is in the best interest and in furtherance of the purpose of the utility to increase the salary to induce John Twitty to continue to serve as General Manager, as an expression of confidence of John Twitty to continue to exemplify the qualities of leadership and management as General Manager and Chief Executive Officer of City Utilities of Springfield, Missouri.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF PUBLIC UTILITIES OF THE CITY OF SPRINGFIELD, MISSOURI, that it does hereby ratify, confirm, and approve the said Letter Agreement and Memorandum of Understanding of October 25, 2001, together with an additional Letter Memorandum of Understanding/Employment Agreement Addendum, and therefore adjust the salary of John Twitty for the calendar year 2008.

BE IT FURTHER RESOLVED, that the Chairman of the Board of Public Utilities be authorized and directed to execute this date on behalf of the Board a supplementary Letter Memorandum of Understanding/Employment Agreement Addendum made for the purpose of bringing the terms and conditions of employment of John Twitty to a current status.

Upon a motion duly made by Mrs. Officer, and seconded by Mr. Finnie, the Board unanimously adopted the above resolution confirming the terms and conditions of the General Manager's Employment Agreement, and authorizing the Chairman of the Board to execute a supplementary Letter Memorandum of Understanding/Employment Agreement Addendum, the original of which is attached hereto.

Mr. Twitty reviewed the utility's scorecard. He stated this is given to the Board on a quarterly basis. He said that management is in the process of having each of the Associate General Managers complete a scorecard for each of their areas.

Chairman Wannemacher then asked if there were any other items to properly come before the Board; there were none. Chairman Wannemacher then asked if any Board Member had any items for the Board to hear. Mr. Finnie stated his appreciation for the utility's assistance in promoting Focus the Nation day.

Chairman Wannemacher 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(2) RSMo. (Supp.), for the purpose of discussing a real estate matter. Chairman Wannemacher moved that the meeting go into closed session for the stated purpose; Mr. Finnie seconded the motion. Chairman Wannemacher requested the Board Members present indicate, by a raise of hands, those in favor of conducting this closed meeting:

Aye: Mike Chiles
 Krystal Compas
 Thomas Finnie
 Virginia Fry
 Mark McNay
 Lisa Officer
 Mike Peters
 Patrick Platter
 Tom Rankin
 Phil Wannemacher

Those opposed to conducting the meeting:

None

Chairman Wannemacher stated the Board would not reconvene following the closed session. The meeting went into closed session at 5:27 p.m.

Lisa Officer, Secretary
Board of Public Utilities of Springfield, Mo.

1-31-08