

SUMMARY OF ACTIONS

SPECIAL-CALLED MEETING OF THE BOARD OF PUBLIC UTILITIES
OF SPRINGFIELD, MISSOURI, HELD AUGUST 12, 2008

Board Members Present:

Mike Chiles
Krystal Compas
Thomas Finnie
Mark McNay
Mike Peters
Tom Rankin
Phil Wannemacher

1. Presentation of Proposed 2009 Operating Plan/Annual Budget

Received a presentation on the proposed 2009 Operating Plan/Annual Budget.

Received a presentation on a proposed natural gas rate increase.

The meeting adjourned at 5:17 p.m.

MINUTES OF A
SPECIAL-CALLED MEETING OF THE BOARD OF PUBLIC
UTILITIES OF SPRINGFIELD, MISSOURI

The Special-Called Meeting of the Board of Public Utilities of Springfield, Missouri, was held at 301 East Central Street, Springfield, Missouri, on Tuesday, August 12, 2008, at 3:00 p.m.

Board Members Present:

Mike Chiles
Krystal Compas
Thomas Finnie
Mark McNay
Mike Peters
Tom Rankin
Phil Wannemacher

Board Members Absent:

Lisa Crump
Virginia Fry
Lisa Officer
Patrick Platter

Ex-Officio Board Member Absent:

Evelyn Honea

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

Joel Alexander
Pam Armstrong
Chris Bell
Donna Bergen
John Black
Mike Finch
Cheri Hamlin
Ted Higgs
Gary Horchem
Robin House
Janet Hudson
Amanda James
Gina McClure
Jackie Melton
Cathy Meyer
Scott Miller
Chris Oberlander
Jeff Parkison
Brenda Putman
Ronald Reynaud
Ray Ross

Cara Shaefer
Jim Shuler
Jeremy Stevens
Wade Stinson
Dean Thompson
John Twitty
Mark Viguet
Ashley Wiehle

Mr. Phil Wannemacher, Chairman of the Board, called the meeting to order and welcomed those in attendance. Mr. Mark McNay, Vice Chairman of the Board, served as Secretary of the meeting in Mrs. Officer's absence.

Mr. Jim Shuler, Associate General Manager – Finance/CFO, presented the proposed 2009 Operating Plan/Annual Budget. Mr. Shuler summarized the Operating Plan schedule:

February	Development of Assumptions
April	Project Steering Committee Sets Spending Targets Project Expenditures Submitted
May	Project Steering Committee Review of Projects and Financials
July	Executive Staff Approval of Financial Solution
July 31	Distribute preliminary Operating Plan to Board
August 12	Board Study Session
August 19	Public Hearing and Joint Study Session with City Council
August 20-27	Continuing Review/Comments/Questions/Study Sessions with Board and City Council
August 26	Board Management & Finance Committee Budget Meeting
August 28	Board Approval of the Operating Plan/Annual Budget
September 15	First Reading and Public Hearing of the Annual Budget
September 29	Adoption of Annual Budget by City Council

Mr. Shuler stated that some of the key objectives of the Budget are to provide reliability, affordability, and customer service beyond expectations; to offer competitive, fair, and stable prices; and to maintain financial strength and flexibility.

Mr. Shuler reviewed the Budget roadmap including the Overview which gives the highlights of the Budget in summary form, the Receipts section which highlights revenues/receipts by commodity, the Category section which highlights expenditures by functional category, and finally the Financial Statements section which includes the three-year comparison of actual 2007, reprojected 2008, and budgeted 2009 figures.

Regarding the specifics of the Budget, Mr. Shuler said the receipts of the Utility for the 2009 budget year, excluding SW2, are anticipated to total \$498.5 million. The largest single component comes from sales to the Electric customers, totaling approximately 48% of receipts. Natural gas receipts are the second largest component with approximately 28%. Water receipts are expected to total approximately 7%. The non-utility receipts total approximately 7% and represent flow-through monies such as sales tax collected for the City of Springfield and remitted back to the City, and sales tax collected for the State and remitted back to the State. Mr. Shuler said that telecommunications receipts total 2%, interest income totals 1%, net financing proceeds are estimated at 1%, and all other receipts account for approximately 6%. Total receipts, including SW2, are anticipated to be \$516 million.

Regarding expenditures, Mr. Shuler said expenditures, excluding SW2, are anticipated to total \$508.8 million in 2009. The largest single expenditure is fuels which accounts for 48%. The budget for labor is 14%, capital expenditures total approximately 12%, the non-utility remittances to the City and State, pension, and Social Security taxes total 10%, debt service totals 4%, payments to the City total approximately 2%, and all other expenditures are estimated to total 10%. Total expenditures, including SW2, are anticipated to be \$752.6 million.

Mr. Shuler highlighted several of the major projects that will account for expenditures in the upcoming year. The major initiatives listed in the 2009 Budget are: Continued construction of SW2; complete construction of the Southwest Power Station emissions compliance project; carbon sequestration demonstration pilot project; upgrade to the Southwest Power Station turbine to increase efficiency; construction of the natural gas eastern loop extension; complete construction of a new water storage tank for the southeast area; repair of the Fellows Lake spillway; construction of a new transit transfer station near Center City; and begin replacement of the fixed route fleet.

Mr. Shuler reviewed new debt financings. He noted there were none for the Public Utility. For the Water Utility there is \$2.4 million for Fellows Lake spillway repairs; \$1.8 million for Stockton Pump Station; \$1.2 million for the southeast water storage tank; and \$0.2 million for Fullbright Water Treatment Plant equipment.

Mr. Shuler emphasized the community dividend of municipal ownership of this system. Based on what an average customer in the state of Missouri pays for electric and gas service compared to CU's rates for the same quantities, our customers pay \$39 million less annually for their utility services. The projected Payments in Lieu of Taxes to the City of Springfield is \$14 million. Another \$3 million is projected for municipal improvement and relocation work in conjunction with the City's street projects. The utility services that are provided to the City at no charge or at a reduced charge total \$9 million, and the transit subsidy is \$5 million. This equates to a total benefit of \$70 million to the community.

Regarding SW2 receipts and expenditures for the total project, Mr. Shuler stated that total receipts are estimated to be \$709 million. This total includes \$628.3 million for bond proceeds; \$57.8 million for interest income; and \$22.9 million for an equity contribution. Total expenditures are estimated to be \$651.5 million. This total includes \$505.3 million for contract project cost; \$110.3 million for debt service; \$23.6 million for owner's cost; \$3.6 million for transmission; and \$8.8 million for parts and inventory.

Regarding the 2009 Long Range Outlook, Mr. Shuler stated the first year of the Outlook comprises the 2009 Annual Operating Budget. The total time horizon of the Long Range Outlook is the five year period 2009 through 2013. He said the overview includes a letter from the Chief Financial Officer that provides a summary of the Long Range Outlook; planned appropriations for the 2009-2013 timeframe; financial statements anticipated through 2013; major projects; and contingencies.

Mr. Shuler stated that the operating receipts for 2009-2013 are anticipated to be approximately \$2.4 billion. Total receipts for this time period are anticipated to be approximately \$2.7 billion.

Mr. Shuler reviewed the following revenue adjustments:

Electric rates include the rate increase for SW2 in October 2011 (previously approved); 3% in 2012; and 2% in 2013;

Natural gas base rates include a 2.5% increase in 2009 (not including the Southern Star Transmission Services increase); 2.5% in 2010; 2% in 2011; 1.5% in 2012; and 1.5% in 2013;

Water rates include an increase of 3% per year in 2009 and 2010 (previously approved); 5% in 2011; 9% in 2012; and 7% in 2013; and

Transit rates include adult fare increases of \$.10 in fiscal year 2009, and \$.15 in fiscal year 2010 (previously approved). Other fares will increase proportionately.

Mr. Shuler reviewed major expenditures for the Public Utility during the 2009 – 2013 timeframe. Those include \$15.4 million during the plan for tree trimming; \$2.6 million for the carbon sequestration demonstration pilot project; \$3.6 million to purchase transmission line right of way; and \$5.6 million to educate and encourage energy management and conservation. Major expenditures for the Water Utility for the 2009 – 2013 timeframe include \$4 million in 2012 for water treatment upgrades; \$2.2 million in 2011 and \$0.6 million in 2012 for Blackman Water Treatment Plant expansions; \$1.5 million in 2011 and 2013 for Stockton Pump Station improvements; \$5.2 million in 2012 for a clearwell at the Blackman Water Treatment Plant; and \$1.2 million in 2009 and \$1.5 million in 2013 for water storage tanks.

Mr. Shuler reviewed the new debt financings for the 2009 – 2013 timeframe. Mr. Shuler said there were none anticipated for the Public Utility. For the Water Utility, this includes \$6.2 million in 2009; \$0.5 million in 2010; \$8.1 million in 2011; \$11.4 million in 2012; and \$5.3 million in 2013; for total debt financing in the Water Utility of \$31.5 million.

Mr. Shuler stated that the expenditures for 2009-2013 are anticipated to be approximately \$3.1 billion.

Mr. Shuler reviewed financial targets of the Utility. For fund balances, the target is to have 60 – 75 days cash on hand for both the Public Utility and Water Utility; for operating earnings, the target is based on operating needs during the Long Range Outlook horizon; and for the debt service coverage, the target is to have 2.5 times the coverage with a minimum of one times the coverage.

Mr. Shuler reviewed the estimated community services for the five-year period of 2009 – 2013. The projected Payments in Lieu of Taxes to the City of Springfield is \$79 million. The utility services that are provided to the City at no charge or at a reduced charge are projected to be \$57 million, and the transit subsidy is projected to be \$29 million. Another \$10 million is projected for municipal improvement and relocation work in conjunction with the City's street projects. Other community services are projected to be \$3 million. This equates to a total benefit of \$178 million to the community.

There was extensive discussion on several items in the Budget, and Mr. Shuler responded to questions.

Next, Mr. Ray Ross, Director – Pricing, presented the proposed 2009 natural gas rate increase. Mr. Ross reviewed a comparison of the proposal that was previously approved by the Board and sent to City Council, and the new proposed increase. The original proposal had a 4.1% increase in October 2008 and a 2.9% increase in October 2009. He said that cumulative percentage increases are similar.

Mr. Ross said that the new proposal delays the first increase by six months, after the winter of 2008-2009; lowers the initial increase; spreads the increase over three years; produces \$2 million less over the Operating Plan, requiring budget cuts; produces \$6 million less in the first three years (2009-2011), requiring project delays; and includes the Southern Star Central rate increase (which was unknown at the time of the original proposal).

Mr. Ross stated that natural gas base rate adjustments would be 2.5% in April 2009; 2.5% in October 2009; and 2.0% in October 2010. Transmission charges for Southern Star Central would take place in November 2008, and be up to \$3 million (2.2%).

Mr. Ross reviewed the three types of City Utilities' natural gas rates, firm (includes residential and general service), curtailable, and the Purchased Gas Clause (PGA). He also reviewed the natural gas rate structure which is the customer charge (fixed costs) and the commodity charge (base and the purchased gas cost).

The cost allocation study results show that customer charges are low compared to costs. It showed that an increase in customer charges should be accomplished in steps and move excess requirements to the commodity charge.

Mr. Ross said that commodity charge changes for residential and general service would be in November 2008 and would reduce the base commodity charge by 9

cents per therm and add capacity costs to PGA cost. Base commodity charge increases would be in April 2009, October 2009 and October 2010.

Other changes being proposed would be a change to the Purchased Gas Clause to accommodate the use of propane at the Lake Springfield Natural Gas Peaking Station. With the Utility's customer charges being low compared to cost, a change is also being proposed to customer charges for all classes of customers. Mr. Ross said that the calculation of the curtailable purchased gas adjustment loss assumption would be reduced.

Mr. Ross reviewed the following table showing the impact on residential monthly bill for average usage:

<u>Effective</u>	<u>Description</u>	<u>\$/Month</u>
November 2008	Southern Star Increase (Purchased Gas Cost)	\$2.25
April 2009	Base Rate Adjustment	\$2.16
October 2009	Base Rate Adjustment	\$2.52
October 2010	Base Rate Adjustment	\$2.09

Mr. Ross reviewed 2007 natural gas rate averages and proposed natural gas rate increases for 2008 – 2009 throughout the United States.

In summary, Mr. Ross stated that there would be base rate increases in April 2009 of 2.5% (average residential impact of \$2.16 per month); October 2009 of 2.5% (average residential impact of \$2.52 per month); October 2010 of 2% (average residential impact of \$2.09 per month); the Southern Star Central increase (purchased gas cost) in November 2008 (average residential impact of \$2.25 per month).

Mr. Ross responded to questions from Board members.

Having no further business, the meeting adjourned at 5:17 p.m.

Mark McNay, Vice Chairman
Board of Public Utilities of Springfield, Mo.

8-12-08