

SUMMARY OF ACTIONS

SPECIAL-CALLED MEETING OF THE BOARD OF PUBLIC UTILITIES
OF SPRINGFIELD, MISSOURI, HELD AUGUST 11, 2009

Board Members Present:

Mike Chiles
Krystal Compas
Lisa Crump
Thomas Finnie
Mark McNay
Lisa Officer
Mike Peters
Patrick Platter
Phil Wannemacher

1. Presentation of Proposed 2010 Operating Plan/Annual Budget

Received a presentation on the proposed 2010 Operating Plan/Annual Budget.

Received a presentation on proposed drinking water rates and proposed AMI temporary rate surcharges.

The meeting adjourned at 5:32 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 11, 2009, at 3:00 p.m.

Board Members Present:

Mike Chiles
Krystal Compas
Lisa Crump
Thomas Finnie
Mark McNay
Lisa Officer
Mike Peters
Patrick Platter
Phil Wannemacher

Board Members Absent:

Virginia Fry
Tom Rankin

Ex-Officio Board Member Absent:

Greg Burris

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

Joel Alexander
Pam Armstrong
John Black
Bob Cirtin
Jeremy Elwood
Mike Finch
Cheri Hamlin
Ted Higgs
Robin House
Janet Hudson
Wes Johnson
Gayla Jones
Gina McClure
Kyle McClure
Scott Miller
Chris Oberlander
Jeff Parkison
Brenda Putman
Ray Ross
Cara Shaefer
Jim Shuler

Wade Stinson
Dean Thompson
John Twitty
Mark Viguet

Mr. Mark McNay, Chairman of the Board, called the meeting to order and welcomed those in attendance. Mr. Patrick Platter, Secretary of the Board, served as Secretary of the meeting.

Mr. Jim Shuler, Associate General Manager – Finance/CFO, presented the proposed 2010 Operating Plan/Annual Budget. Mr. Shuler stated that the 2010 Operating Plan includes the 2010 Annual Operating Budget and the Long Range Outlook, a five year financial projection for years 2010 – 2014. He said that the operating plan has been compiled with an assumption of a consolidation of the Public Utility and Water Utility occurring on October 1, 2009.

Mr. Shuler reported that the 2010 budget proposal has felt the impact of the challenging year that 2009 has posed to the Utility. The plan reflects expectations of lower revenues and reduced expenditures, and has been prepared to enable day-to-day operations of running a sound utility.

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 11	Board Study Session
August 19	Public Hearing and Joint Study Session with City Council
August 20-26	Continuing Review/Comments/Questions/Study Sessions with Board and City Council
August 25	Board Management & Finance Committee Budget Meeting
August 26	Board Approval of the Operating Plan/Annual Budget
September 8	First Reading and Public Hearing of the Annual Budget

September 21

Adoption of Annual Budget by City Council
(This date has been changed to September 22 for a
City Council luncheon meeting).

Mr. Shuler stated that some of the key objectives of the Budget are to provide reliable, affordable, and responsible essential services. The pricing goal is to offer competitive, fair, and stable prices; the financial goal is to maintain financial strength, flexibility and fiscal responsibility; and the technical goal is to evaluate, implement, and maintain cost-effective technologies that improve operational efficiency.

Mr. Shuler reviewed the document contents including the Budget Overview which gives the receipts and expenditures in summary form, the Receipts section which highlights revenues/receipts by commodity, the Expenditures section which highlights expenditures by functional category, and the Financial Statements section which includes the three-year comparison of actual 2008, re-projected 2009, and budgeted 2010 figures.

Regarding the specifics of the Budget, Mr. Shuler said the receipts of the Utility for the 2010 budget year, excluding SW2, are anticipated to total \$438.5 million. The largest single component comes from sales to the Electric customers, totaling approximately 52% of receipts. Natural gas receipts are the second largest component with approximately 23%. 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 2%, net financing proceeds are estimated at 1%, and all other receipts account for approximately 6%. Total receipts, including SW2, are anticipated to be \$446.6 million.

Mrs. Crump arrived at the meeting at this time.

Regarding expenditures, Mr. Shuler said expenditures, excluding SW2, are anticipated to total \$440.3 million in 2010. The largest single expenditure is fuels which accounts for 45%. The budget for labor is 16%, capital expenditures total approximately 9%, 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 3%, and all other expenditures are estimated to total 13%. Total expenditures, including SW2, are anticipated to be \$595.6 million.

Mr. Shuler discussed several of the major projects that will account for expenditures in the upcoming year. The major initiatives listed in the 2010 Budget are: Continued construction of SW2; carbon sequestration demonstration pilot project; construction of a new Substation to support the Partnership Industrial Center – West area; complete construction of a new southeast water storage tank; begin replacement of the fixed route fleet; and improve the Transit/Fleet Maintenance Campus.

Regarding personnel, Mr. Shuler reported that anticipated base employees for 2010 will decline from 1,046 in 2009 to 1,026.

Mr. Shuler reviewed new debt financings. For the Water Utility there is \$3.4 million for a southeast storage tank and \$.9 million for a new pump at the Stockton Pump Station.

Mr. Shuler discussed the community dividend of municipal ownership of this system. Based on what an average customer in the state of Missouri pays for electric and natural gas service compared to City Utilities' rates for the same quantities, our customers pay \$30 million less annually for their utility services. The projected Payments in Lieu of Taxes to the City of Springfield are \$12 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 \$4 million. This equates to a total benefit of \$58 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 (to be offset by interest earnings of \$74.2 million); \$23.6 million for owner's cost; \$3.6 million for transmission upgrades; and \$8.8 million for parts and inventory.

Regarding the 2010 Long Range Outlook, Mr. Shuler stated the first year of the Outlook comprises the 2010 Annual Operating Budget. The total time horizon of the Long Range Outlook is the five year period 2010 through 2014. He said the Long Range Outlook includes an overview; financial highlights; major projects; and contingencies.

Mr. Shuler stated that the operating receipts for 2010-2014 are anticipated to be approximately \$2.4 billion.

Mr. Shuler reviewed the following revenue adjustments:

Electric rates include the rate increase for SW2 in October 2011 (previously approved); 3% in 2012; 2% in 2013; and 2% in 2014.

Natural gas base rates include a 2.5% increase in 2010 and 2% in 2011 (previously approved); no increase in 2012; 2% in 2013; and 2% in 2014.

Drinking Water rates include an increase of 3% in 2010 (previously approved); 8% in 2011; 8% in 2012; 8% in 2013; and 8% in 2014.

Total receipts for this time period are anticipated to be approximately \$2.7 billion.

Mr. Shuler reviewed major expenditures for the Public Utility during the 2010 – 2014 timeframe. Those include \$1.8 million for the carbon sequestration demonstration pilot project; \$5.5 million to purchase transmission line rights of way; \$10 million to replace the transit fleet; and \$10 million for improvement of the Transit/Fleet maintenance campus. Major expenditures for the Water Utility for the 2010 – 2014 timeframe include \$8.6 million in 2014 for a pipeline from Fellows Lake to the Blackman Water Treatment Plant; \$5 million in 2012 for the clearwell at Blackman Water Treatment

Plant ; and \$4 million in 2012 and \$3.4 million in 2014 for improvements to disinfection systems.

Mr. Shuler reviewed the new debt financings for the 2010 – 2014 timeframe. Mr. Shuler said for the Water Utility, this includes \$4.5 million in 2010; \$5.6 million in 2012; \$8.1 million in 2013; and \$14.1 million in 2014

Mr. Shuler discussed projected costs for operating and maintaining City Utilities.

Mr. Shuler reviewed financial targets of the Utility. For fund balances, the target is to have 60 – 75 days cash on hand; for operating earnings, the target is based on operating needs by product 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 2.0 times the coverage.

Mr. Shuler reviewed the estimated community services for the five-year period of 2010 – 2014. The projected Payments in Lieu of Taxes to the City of Springfield is \$77 million. The utility services that are provided to the City at no charge or at a reduced charge are projected to be \$48 million, and the transit subsidy is projected to be \$26 million. Another \$12 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 \$166 million to the community.

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

Next, Mr. Ray Ross, Director – Pricing, presented the drinking water rate increase proposal.

Mr. Finnie and Mr. Wannemacher left the meeting at this time.

Mr. Ross stated that the proposed drinking water base rates have to support system objectives. These objectives include water quality; system integrity including reliability, safety/security, and efficiency; and future water supply and drought preparation.

Mr. Peters left the meeting at this time.

Mr. Ross stated that water rates must cover costs and these water expenses are supported by customers. He said that prior rates have not fully supported the water system, and corrections are needed to sustain expenses. Mr. Ross noted that the Springfield area does not obtain its water supply from a single source, multiple sources are used and water must be transported uphill to meet demands.

Mr. Ross discussed the factors affecting the current water supply and rates including the aging water infrastructure, increasing compliance requirements, City Utilities' WaterWise programs, and economic factors.

Mr. Ross reviewed the impact on a residential monthly bill with average usage:

2010 - \$19.08
2011 - \$21.01
2012 - \$22.94
2013 - \$24.87

*The average residential monthly bill will increase by \$1.93 per month, per year.

In summary, Mr. Ross stated that there would be a three-stage adjustment in October 2010, 2011, and 2012 (average residential impact of \$1.93 per month, per year). He stated that the general service structural changes would eliminate minimum bills and customer charges would be dependent on meter size. Mr. Ross reported that the revenue increase as a result of the proposed drinking water base rate adjustments would be \$7.5 million by 2013.

Dr. Compas left the meeting at this time.

Mr. Ross responded to questions from Board members.

Mr. Ross also provided information regarding the surcharge proposals for an Advanced Metering Infrastructure (AMI). Mr. Ross stated that the Board authorized the resolution for a grant application at the July 2009 Board Meeting, and the application was filed on August 6, 2009.

Mr. Ross reviewed the following three options that were previously presented to the Board based on approval of grant funding:

1. Electric Only – Installation period of 3 years, with a project cost of \$20.2 million. Grant funding would be \$10.1 million and City Utilities would finance the remaining \$10.1 million for ten years with an annual debt service of approximately \$1.3 million. A proposed AMI surcharge would pay the debt service during installation when CU is not receiving the savings. When the savings will offset the debt service after a three year duration, the surcharge would be removed. The savings will match the debt service amount of \$1.3 million through savings in meter reading and customer services costs. The surcharge for electric would be effective from April 2010 – March 2013, and would generate \$4.5 million. The electric surcharge rate would be \$1 per meter per month for the residential customer service rate and \$2 per meter per month for the commercial and industrial general lighting and general power service rates. This surcharge would be contingent upon the full grant award.
2. Electric, Natural Gas, Water – Installation period of 3 years, with a project cost of \$47.8 million. Grant funding would be \$10.1 million and City Utilities would finance the remaining \$37.7 million for fifteen years with an annual debt service of approximately \$3.4 million. When the savings will offset the debt service after a four year duration, the

surcharge would be removed. The savings would be \$3.2 million by 2016. The surcharge would be effective April 2010 – March 2014 for electric, natural gas, and water, and would generate \$14.5 million. The surcharge rate would be \$1 per month per meter for the residential electric, natural gas and water customer service rate and \$2 per meter per month for the commercial and industrial general lighting and general power, general gas, and general water service rates. This surcharge would be contingent upon the full grant award.

3. No AMI Project

Mr. Platter left the meeting at this time.

Mr. Ross responded to questions from Board members.

Mr. Ross stated that information regarding Smart Grid will be presented at the Joint Study Session of the Board and City Council on August 19, 2009.

After discussion, the Board requested to provide AMI information to the Springfield City Council recommending the option of an electric, natural gas and water Advanced Metering Systems.

Having no further business, the meeting adjourned at 5:32 p.m.

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

8-11-09