



MINUTES
COMMITTEE AGENDA

Tuesday, January 31, 2012

City Council Chambers

5:30 p.m.

Ward 1	Frank Edwards (Vice Chair)	Ward 6	Cory Jobe
Ward 2	Gail Simpson (Vice Chair)	Ward 7	Joe McMenamain
Ward 3	Doris Turner	Ward 8	Kris Theilen
Ward 4	Frank Lesko	Ward 9	Steve Dove
Ward 5	Sam Cahnman	Ward 10	Tim Griffin

Chairman Gail Simpson called the meeting to order at 5:30pm.

Clerk Tumulty called the roll of members.

Present: Ald. Edwards☒, Simpson☒, Turner☒, Lesko☒, Cahnman☒, Jobe☒, McMenamain☒, Theilen☒, Dove☒ and Griffin ☒ were all present.

Alderman Griffin made a motion to approve the minutes of the January 17, 2012 Committee of the Whole meeting. His motion was seconded by Alderman Dove. The motion carried with a voice vote of 10-0.

Clerk Tumulty then read the ordinances that were tabled or remain in committee.

2010-158 AN ORDINANCE AMENDING THE 1988 CITY OF SPRINGFIELD CODE OF ORDINANCES, AS AMENDED, BY ADDING CHAPTER 154: EROSION CONTROL REGULATIONS (**Requested By Mayor Timothy J. Davlin**) (**Remains In Committee 7/26/11**)

2011-104 AN ORDINANCE AMENDING CHAPTER 100 OF THE 1988 CITY OF SPRINGFIELD CODE OF ORDINANCES, AS AMENDED, BY IMPOSING A 1.5% TAX ON THE PRIVILEGE OF PURCHASING ALCOHOLIC LIQUOR AND PREPARED FOOD ITEMS FOR IMMEDIATE CONSUMPTION (**Requested By Ald. Simpson**) (**Committee Of The Whole**) (**Remains In Committee 3/8/11**)

2011-224 AN ORDINANCE AMENDING THE 1988 CITY OF SPRINGFIELD CODE OF ORDINANCES, AS AMENDED, BY AMENDING SECTION 36.04(A) TO CORRECT A TECHNICAL ERROR PERTAINING TO EXEMPTIONS UNDER CERTAIN JURISDICTIONS OF THE CITY PERSONNEL SYSTEM AND BY ADDING SECTION 36.65 REGARDING SUSPENSIONS RESULTING FROM ARREST OR INDICTMENT, AS AMENDED (**Requested by Mayor J. Michael Houston**) (**Remains in Committee 6/14/11**)

2011-393 AN ORDINANCE AMENDING CHAPTER 36, SECTION 36.05, OF THE 1988 CITY OF SPRINGFIELD CODE OF ORDINANCES, AS AMENDED, PERTAINING TO THE OBLIGATORY RESIDENCY REQUIREMENT FOR EMPLOYEES HIRED ON OR AFTER OCTOBER 28, 2011, BY THE CITY OF SPRINGFIELD, ILLINOIS (**Requested by Alderman Joe McMenamini**) (**Remains in Committee 10/18/11**)

2011-514 AN ORDINANCE TO PLACE STOP SIGNS AT OAKMONT DRIVE AND INVERNESS ROAD CREATING AN ALL-WAY STOP INTERSECTION (**Requested by Alderman Joe McMenamini**) (**Remains in Committee 1/3/12**)

2012-007 AN ORDINANCE AUTHORIZING EXECUTION OF AN AGREEMENT FOR SALE OF CITY-OWNED PROPERTY CONSISTING OF 11 PARCELS TO THE SPRINGFIELD PROJECT, AN ILLINOIS NOT-FOR-PROFIT CORPORATION IN THE AMOUNT OF \$1,100.00 AND AUTHORIZING EXECUTION OF AN AGREEMENT FOR SALE OF CITY-OWNED PROPERTY CONSISTING OF SIX PARCELS TO RODNEY HAAS IN THE AMOUNT OF \$1,800.00, FOR A COLLECTIVE AMOUNT OF \$2,900.00, FOR THE OFFICE OF BUDGET AND MANAGEMENT (**Requested by Mayor J. Michael Houston**) (**Remains in Committee 1/17/12**)

2012-021 AN ORDINANCES AMENDING CHAPTER 38, SECTION 38.45 OF THE 1988 CITY OF SPRINGFIELD CODE OF ORDINANCES, AS AMENDED, PERTAINING TO LOCAL PREFERENCE IN CONTRACT AWARDS (**Requested by Alderman Tim Griffin**) (**Remains in Committee 1/17/12**)

Alderman Theilen asked if there was an update to Agenda Item 2011-224. Corporation Counsel Mark Cullen pointed out that the ordinance is at the request of the Human Resources Department and he pointed to Labor Relations Manager Jim Gates to help answer any questions. Alderman Theilen stated that he thought that it was being held pending additional information. Alderman McMenamini added that the Council had received letters from the police and the electricians unions stating that the ordinance was a negotiable matter. Jim Gates responded that it is an issue that the unions can raise impact regarding to their contract.

Alderman Theilen stated that he would like to start cleaning up the ordinances that are remaining in committee. This particular ordinance has been held for close to eight months. CC Cullen responded that the ordinance would recognize language that is already in the collective bargaining agreements. Mr. Gates also pointed out that the other portion of the ordinance deals with suspension pending judicial review. Alderman Theilen asked Mr. Gates to check with the unions to get a final update on the proposed ordinance.

Next were the ordinances up for committee consideration.

Alderman McMenemy made a motion to move Agenda Item 2012-048 to the end of the agenda. His motion was seconded by Alderman Theilen seconded his motion.

2012-025 AN ORDINANCE AUTHORIZING PAYMENT TO JERRY JONES, AN OFFICE OF PUBLIC WORKS EMPLOYEE, TO SETTLE A WORKER'S COMPENSATION CLAIM FOR CASE NUMBER 11-WC-032719 (**Requested by Mayor J. Michael Houston**)

Alderman Griffin made a motion to place Agenda Item 2012-025 onto the consent agenda. His motion was seconded by Alderman Theilen. The motion carried with a voice vote of 10-0.

2012-026 AN ORDINANCE AUTHORIZING PAYMENT TO RONALD GILLETTE, A SPRINGFIELD POLICE PATROL OFFICER, FOR SETTLEMENT OF A WORKERS' COMPENSATION CLAIM FOR CASE NUMBER 07-WC-37525 (**Requested by Mayor J. Michael Houston**)

Alderman Lesko made a motion to place Agenda Item 2012-026 onto the consent agenda. His motion was seconded by Alderman Jobe.

Alderman McMenemy made a request that the Committee go into executive session to discuss this item. He expressed concern about the nature of the claim and the settlement.

Alderman Griffin pointed out that the settlement has nothing to do with the outstanding medical bills. Alderman Theilen pointed to the ordinance that the settlement. Alderman Griffin asked if the City settles the case, does Mr. Gillette agree to the terms as well. CC Cullen responded that the settlement has been agreed to on Mr. Gillette's behalf.

Alderman McMenemy stated that he has further questions that would need to be addressed in executive session.

Alderman Cahnman made a motion to move Agenda Item 2012-026 to the very end of the meeting. Alderman Theilen seconded the motion. The motion carried with a voice vote of 10-0.

2012-027 AN ORDINANCE ACCEPTING THE LOWEST RESPONSIBLE BID & AUTHORIZING THE EXECUTION OF CONTRACT #CS12-10 WITH IKON OFFICE SOLUTIONS, INC. FOR THE LEASE OF DIGITAL COPY MACHINES AND AUXILIARY EQUIPMENT FOR ALL CITY DEPARTMENTS FOR A FOUR YEAR PERIOD EXPIRING DECEMBER 31, 2015, FOR A TOTAL AMOUNT NOT TO EXCEED \$316,378.44 FOR THE OFFICE OF BUDGET AND MANAGEMENT (**Requested by Mayor J. Michael Houston**)

Alderman Griffin made a motion to place Agenda Item 2012-027 onto the consent agenda. His motion was seconded by Alderman Theilen.

Alderman Griffin asked for clarification on the contract and the voting system that was used in order to evaluate the contract. Office of Budget and Management Director Bill McCarty stated that the amount of \$316,000 is the four year estimated price. He also pointed out that the first four year contract was signed in 2006 and the contract has had two annual renewals since. He stated that it is his goal to stop extending such contracts without putting them out for bid. He stated that under the current contract, the City is paying 3.88 cents per copy. The winning vendor will be paying 2.39 cents per copy at a savings of \$32,000 per year with the new contract. Mr. McCarty also noted that it is a local vendor with a local presence in Springfield. Because the contract was so big, a bid specifications committee was put together to evaluate the contract and assign scores to certain criteria. Alderman Griffin asked how the numbers were calculated. Mr. McCarty stated that the bid process was done on a per-copy cost. He also pointed out that another part of the bid was that any copy over 3 million copies is free. He also stated that another possibility that they are looking into is to consolidate printers in order to eliminate unneeded equipment and create department-centric copy centers.

Alderman Edwards asked how the price compares with the state bid. City Purchasing Agent Jay Wavering stated that he did not know, but he will get the answer for the Council.

Council Coordinator Joe Davis expressed concern about departments having to share printer/copier machines. Mr. McCarty stated that he meant those to be sharing within the department only. He also stated that once the contract is approved, the old copiers will be replaced with the new machines.

The motion to place Agenda Item 2012-027 onto the consent agenda passed with a voice vote of 10-0.

2012-028 A RESOLUTION ALLOCATING 2012 BOND VOLUME CAP (Requested by Mayor J. Michael Houston)

Alderman Griffin made a motion to place Agenda Item 2012-028 onto the consent agenda. His motion was seconded by Alderman McMenamin. The motion passed with a voice vote of 10-0.

2012-032 AN ORDINANCE AUTHORIZING THE EXECUTION OF A LETTER OFFER FOR EXTENSION, APPROVING A ONE-YEAR CONTRACT EXTENSION AND AUTHORIZING ADDITIONAL FUNDING IN AMOUNT NOT TO EXCEED \$348,622.00 UNDER CONTRACT NO. UW10-01-92 WITH HD SUPPLY WATERWORKS, LTD. FOR THE PURCHASE OF FIRE HYDRANTS, FOR A TOTAL AMOUNT PAYABLE OF \$1,045,866.00 UNDER SAID CONTRACT FOR THE WATER DIVISION (Requested by Mayor J. Michael Houston)

Alderman Theilen made a motion to place Agenda Item 2012-032 onto the consent agenda. His motion was seconded by Alderman Griffin. The motion carried with a voice vote of 10-0.

2012-033 AN ORDINANCE AUTHORIZING THE EXECUTION OF A LETTER OFFER FOR EXTENSION, APPROVING A ONE-YEAR CONTRACT EXTENSION AND AUTHORIZING ADDITIONAL FUNDING IN AN AMOUNT NOT TO EXCEED \$312,671.26 UNDER CONTRACT NO. UW11-01-92 WITH AMERICAN FLOW CONTROL, A DIVISION OF AMERICAN CAST IRON PIPE COMPANY, FOR THE PURCHASE OF WATER MAIN GATE VALVES AND TAPPING VALVES, FOR A TOTAL AMOUNT PAYABLE OF \$625,342.52 UNDER SAID CONTRACT FOR THE WATER DIVISION (Requested by Mayor J. Michael Houston)

Alderman McMenamin made a motion to place Agenda Item 2012-033 onto the consent agenda. His motion was seconded by Alderman Theilen. The motion carried with a voice vote of 10-0.

2012-034 AN ORDINANCE APPROVING PAYMENT TO PROLIANCE ENERGY, LLC IN AN AMOUNT NOT TO EXCEED \$1,551,700.00 FOR THE PURCHASE OF NATURAL GAS FOR THE ELECTRIC DIVISION THROUGH FISCAL YEAR 2013 UNDER AN EXISTING CONTRACT **(Requested by Mayor J. Michael Houston)**

Alderman Theilen made a motion to place Agenda Item 2012-034 onto the consent agenda. Alderman Dove seconded his motion. The motion passed with a voice vote of 10-0.

2012-035 AN ORDINANCE AUTHORIZING PAYMENT TO THE CENTRAL ILLINOIS LIGHT COMPANY D/B/A AMERENCILCO UNDER AN EXISTING RATE SCHEDULE IN AN AMOUNT NOT TO EXCEED \$300,000.00 FOR NATURAL GAS TRANSPORTATION CHARGES FOR THE ELECTRIC DIVISION DALLMAN POWER PLANT UNIT NO. 4 **(Requested by Mayor J. Michael Houston)**

Alderman Griffin made a motion to place Agenda Item 2012-035 onto the consent agenda. His motion was seconded by Alderman Theilen. The motion carried with a voice vote of 10-0.

2012-036 A RESOLUTION AUTHORIZING EXECUTION OF A LETTER OF INTENT WITH THE STATE OF ILLINOIS FOR TRAFFIC SIGNAL MODIFICATIONS AND INTERCONNECTS AT CAMP BUTLER ROAD AND COLT ROAD, MFT SECTION #12-STATE-00-TL, FOR THE OFFICE OF PUBLIC WORKS **(Requested by Mayor J. Michael Houston)**

Alderman McMenamin made a motion to place Agenda Item 2012-036 onto the consent agenda. His motion was seconded by Alderman Theilen. The motion carried with a voice vote of 10-0.

2012-037 AN ORDINANCE APPROVING THE PLAN FOR THE LARGE SCALE DEVELOPMENT OF MENARDS AT WOODSIDE PLACE FOR THE OFFICE OF PUBLIC WORKS **(Requested by Mayor J. Michael Houston)**

Alderman Griffin made a motion to place Agenda Item 2012-037 onto the consent agenda. His motion was seconded by Alderman Theilen. The motion carried with a voice vote of 10-0.

2012-038 AN ORDINANCE AUTHORIZING EXECUTION OF SUBRECIPIENT AGREEMENT NO. 10-SR-0004 WITH THE CITY OF SPRINGFIELD OFFICE OF PUBLIC WORKS-DIVISION OF UNSAFE STRUCTURES, FOR DEMOLITION OF UNSAFE AND DANGEROUS VACANT RESIDENTIAL STRUCTURES UTILIZING THE CITY'S COMMUNITY DEVELOPMENT BLOCK GRANT FUNDS IN AN AMOUNT NOT TO EXCEED \$100,000.00, FOR THE OFFICE OF PLANNING AND ECONOMIC DEVELOPMENT **(Requested by Mayor J. Michael Houston)**

Alderman Griffin made a motion to place Agenda Item 2012-038 onto the consent agenda. His motion was seconded by Alderman Theilen.

Alderman McMenemy asked Public Works Director Mark Mahoney for more information about the plan that they have for the demolitions. Director Mahoney responded that his program has been in place and that they use a portion of the money for environmental studies that they might need on the structures. Alderman McMenemy asked how the money compares to money in the past. Director Mahoney stated that it is, but he was unsure of the exact number. Economic Development Director Mike Farmer stated that in the past years, the amount has been \$150,000. In the past two years, the amount is \$100,000. He also stated that the amount carries over from year to year until it runs out. Alderman McMenemy asked if the money is used to demolish houses that the City has bought at tax sales. Director Mahoney responded that it is and that it would be hard to estimate how many houses could be demolished with the money not knowing the circumstances surrounding each home.

Alderman Griffin asked if the money would be used for contract work to demolish, or to cover the cost of City employees doing the work. Director Mahoney stated that it varies depending on the case, but that the City does as much as they can. Alderman Griffin asked how much of the City's free dumping space is being used for dumping materials from demolished houses. Director Mahoney responded that he is unsure but that the amount has increased. He said that he would provide those numbers to the Council.

The motion to place Agenda Item 2012-038 onto the consent agenda passed with a voice vote of 10-0.

2012-039 AN ORDINANCE AUTHORIZING EXECUTION OF A THREE-YEAR AGREEMENT WITH BAKER & TAYLOR, INC. TO PROVIDE LIBRARY MATERIALS AND APPROVING PAYMENT IN AN AMOUNT NOT TO EXCEED \$1,200,000.00 AND AUTHORIZING THE FIRST YEAR'S PAYMENT OF \$400,000.00 FOR LINCOLN LIBRARY (**Requested by Mayor J. Michael Houston**)

Alderman Griffin made a motion to place Agenda Item 2012-039 onto the consent agenda. His motion was seconded by Alderman Theilen. The motion passed with a voice vote of 10-0.

2012-040 AN ORDINANCE TO DECREASE THE NUMBER OF CLASS "F1" LIQUOR LICENSES BY ONE FOR ROCKIN ROBIN INC., 2909 N. DIRKSEN PARKWAY, AS AMENDED (**Requested by Mayor J. Michael Houston**)

Alderman Griffin made a motion to place Agenda Item 2012-040 onto the consent agenda. The motion was seconded by Alderman McMenemy. The motion carried with a voice vote of 10-0.

2012-041 AN ORDINANCE TO INCREASE THE NUMBER OF CLASS "E" LIQUOR LICENSES BY ONE FOR LINCOLN LAND COMMUNITY COLLEGE DISTRICT 526 D/B/A BISTRO VERDE, 5250 SHEPARD ROAD (**Requested by Mayor J. Michael Houston**)

Alderman Edwards made a motion to place Agenda Item 2012-041. The motion was seconded by Alderman Griffin. The motion carried with a voice vote of 10-0.

2012-042 AN ORDINANCE TO DECREASE THE NUMBER OF CLASS "D" LIQUOR LICENSES BY THREE DUE TO NON-RENEWAL OF LICENSES BY CAITIE GIRL'S, INC., EL NOPAL INC. D/B/A LA LOMA AND RUGGER, LTD. D/B/A NORB ANDY'S TABERIN (**Requested by Mayor J. Michael Houston**)

CC Cullen stated that there has been an interest in a liquor license transfer for Norb Andy's Taberin and he requested that the Council leave the ordinance in Committee for the time being. Alderman Griffin asked if the ordinance could be amended. CC Cullen responded that it could be amended, but that the ordinance is a simple clean up ordinance to clean up the code.

Alderman Simpson asked if there were no objections that the ordinances will be left in committee. There were none and the ordinance remained in committee.

2012-043 AN ORDINANCE TO DECREASE THE NUMBER OF CLASS C LIQUOR LICENSES BY ONE FOR ALDI INC., 1770 WEST WABASH AVENUE (**Requested by Mayor J. Michael Houston**)

Alderman McMenamain made a motion to place Agenda Item 2012-043 onto the consent agenda. His motion was seconded by Alderman Griffin. The motion carried with a voice vote of 10-0.

2012-044 AN ORDINANCE TO DECREASE THE NUMBER OF CLASS "C" LIQUOR LICENSES AND INCREASE THE NUMBER OF CLASS "B" LIQUOR LICENSES BY FIVE FOR BOND DRUG COMPANY OF ILLINOIS, LLC D/B/A WALGREENS AT VARIOUS LOCATIONS THROUGHOUT THE CITY (**Requested by Mayor J. Michael Houston**)

Alderman Theilen asked if Agenda Item 2012-044 and 2012-045 can be combined with an omnibus vote since they all deal with Walgreens. Alderman McMenamain pointed out that there are two different owners. CC Cullen added that the two can be done with an omnibus vote, but that they have to remain as two separate ordinances.

Alderman Simpson asked if there were any objections. There were not any. Discussion ensued regarding both ordinances.

Alderman Griffin asked if the ordinance would approve the locations to sell hard liquor as well as beer and wine. CC Cullen responded that he was correct.

Alderman Theilen expressed concern for the Walgreens location on West Monroe Street. He expressed concern about its proximity to a problem apartment complex. He asked for a representative from Walgreens to come forward to address his concerns. No one stepped forward. Todd Oliver, Manager of Business Licensing stepped forward to respond to his questions. Alderman Theilen asked if he knew if their intent was to sell smaller quantities of liquor. Mr. Oliver responded that it is his understanding that Walgreens wants to stay in competition with the rest of the businesses in their area.

Alderman Theilen requested that Agenda Items 2012-044 and 2012-045 remain in Committee. A motion was made by Alderman McMenamain to leave the ordinances in Committee. His motion was seconded by Alderman Theilen. The motion carried with a voice vote of 10-0.

Alderman Simpson asked if the sales can be restricted. Alderman Theilen stated that the license can be restricted or give a conditional license. He cited an example of the Harper's Gas Station located in his ward. CC Cullen suggested that Mr. Oliver contact the licensee to have them have a representative present at the next Council Meeting.

2012-046 AN ORDINANCE TO INCREASE THE NUMBER OF CLASS “AA” LIQUOR LICENSES BY ONE AND DECREASE THE NUMBER OF CLASS “A” LIQUOR LICENSES BY ONE FOR KING OF CLUBS, INC., D/B/A BOURBON STREET RHYTHM & RIBS, 1031 SOUTH GRAND AVENUE EAST (**Requested by Mayor J. Michael Houston**)

Alderman Edwards made a motion to hold Agenda Item 2012-046 in Committee. His motion was seconded by Alderman Dove.

Alderman Cahnman asked if there was a reason for doing this. Alderman Edwards stated that the Alderman from that ward had requested that he make the motion.

The motion to hold Agenda Item 2012-046 in Committee passed with a voice vote of 10-0.

2012-047 AN ORDINANCE TO DECREASE THE NUMBER OF CLASS “AA” LIQUOR LICENSES BY ONE FOR ROBERT & GLORIA TICK, D/B/A GLORIA’S KITCHEN, 1009 E. LAUREL AVENUE (**Requested by Mayor J. Michael Houston**)

Alderman Griffin made a motion to place Agenda Item 2012-047 onto the consent agenda. His motion was seconded by Alderman Theilen. The motion carried with a voice vote of 10-0.

2012-049 AN ORDINANCE AUTHORIZING THE EXECUTION OF A PERMANENT ENCROACHMENT AGREEMENT WITH SPRINGFIELD SCHOOL DISTRICT NO. 186 PERTAINING TO A PORTION OF BROWN STREET BETWEEN POPE AVENUE AND TAYLOR STREET (**Requested By Mayor J. Michael Houston and Alderman Doris Turner**)

Alderman Griffin made a motion to place Agenda Item 2012-049 onto the consent agenda. His motion was seconded by Alderman McMenamin. The motion carried with a voice vote of 10-0.

2012-050 AN ORDINANCE AUTHORIZING ACCEPTANCE AND EXECUTION OF AN INTERGOVERNMENTAL AGREEMENT WITH THE STATE OF ILLINOIS OFFICE OF THE COMPTROLLER REGARDING ACCESS TO THE COMPTROLLER’S LOCAL DEBT RECOVERY PROGRAM (**Requested By Mayor J. Michael Houston**)

Alderman Theilen made a motion to place Agenda Item 2012-050 onto the consent agenda. His motion was seconded by Alderman Jobe.

Alderman McMenamin asked for more details about the ordinance and the Treasurer if he had an estimate on how much money the City could expect to recoup with this program. Treasurer Langfelder stated that the City of Springfield is one of the first communities to try this program. He stated that the City of Chicago was estimated to receive over \$1,000,000 in revenues in parking tickets. He stated that in looking at the City of Springfield, the match rate was roughly 40%. He estimated that the money could total in the hundreds of thousands of dollars. Alderman McMenamin thanked Treasurer Langfelder and Alderman Jobe for their work on the program.

Alderman Theilen asked if the City would be limited in the type of debts that the City can turn in. Alderman Jobe responded that it would not apply to just individuals, but to businesses as well. Treasurer Langfelder explained that initially, the City will be going after parking tickets, but then expanding to any money that is owed to the City.

Alderman Cahnman asked if the money was limited to income tax refunds. Alderman Jobe responded that it would apply to all refunds. He also pointed out that this is a program that the Comptroller has been doing for years. There are seven communities throughout the state are participating in the program, including the City of Chicago.

The motion to place Agenda Item 2012-050 onto the consent agenda passed with a voice vote of 10-0.

2012-051 AN ORDINANCE AUTHORIZING PAYMENT OF \$213,414.00 TO NEW WORLD SYSTEMS CORPORATION FOR ANNUAL MAINTENANCE FEES FOR THE SPRINGFIELD POLICE DEPARTMENT (**Requested By Mayor J. Michael Houston**)

Alderman Griffin made a motion to place Agenda Item 2012-051 onto the consent agenda. His motion was seconded by Alderman McMenamain. The motion carried with a voice vote of 10-0.

2012-048 AN ORDINANCE AMENDING CHAPTER 50, SECTIONS 50.19, 50.26, 50.30 AND 50.35, OF THE 1988 CITY OF SPRINGFIELD CODE OF ORDINANCES, AS AMENDED, REGARDING THE FUEL ADJUSTMENT, RATE SCHEDULES, THE SOUTHERN VIEW UTILITY TAX AND THE FINANCIAL REPORT REQUIREMENT FOR THE ELECTRIC DIVISION (**Requested By Mayor J. Michael Houston**)

Alderman Theilen asked if a motion to hold in Committee would allow them to discuss the ordinance. CC Cullen responded that a motion is needed in order to discuss an ordinance. Alderman Theilen made a motion to hold Agenda Item 2012-048 in Committee. His motion was seconded by Alderman Turner.

Alderman Theilen stated that he did the math on the various calculations that City Water Light and Power had provided to the Council. Craig Burns, Financial Director of City Water Light and Power provided a grid to the Council members to better explain the changes. A copy of the grid is included with these minutes. He went on to state that there are sections of the code does not match up with was done, which first needs to be completed before any rate increase or fuel adjustment roll in can take effect.

Mr. Burns then walked the Council through the handout. He then explained that the raw kilowatt hour charge was never reconciled back to the City Code, which needs to be taken care of, which may be where some of the confusion might be between the language of the ordinance and what the actual rate increase will be. He then walked through the changes.

Alderman Griffin clarified that the 2005 rate increase was actually voted on in 2005, but took effect over several months in late 2006. Mr. Burns responded that he was correct.

Alderman Theilen clarified that this answers the odd numbers that are included within the ordinance that do not match up with what CWLP is promoting. Mr. Burns responded that he was correct and that it is to clean up the section of the code that was not done during the 2005-2006 rate increase.

Alderman Griffin pointed out that he has had many constituents contact him upset about the rate increase and its potential impact on their homes. He asked about potential discount programs that would be available to citizens. Mr. Burns clarified that it is the senior citizens discount, which is a 10% discount on the base energy rate. The discount has been in effect since 1991. With the new billing system, it allows CWLP to show the discount on a separate line for the rate payer. Alderman Griffin also clarified that once the fuel adjustment rate is rolled into the rate, the discount will be applied to the larger number. Mr. Hobbie responded that it would equate to a immediate 2.4% decrease to the seniors that qualify for the discount.

Alderman Cahnman asked if the 10% discount will be applied to the fuel adjustment charge. Mr. Burns responded that the discount is never applied to the fuel adjustment charge. He also added that the fuel adjustment rate gets to a point where it is at around zero and reflects the costs that CWLP is incurring for fuel. Eric Hobbie, General Manager of CWLP added that the fuel adjustment charge is not going away, but that they are targeting the charge to be zero. The fuel adjustment charge reflects the actual cost of providing energy, what it costs to produce it and provide it to the rate payers minus our average cost of production. He went on to explain that the change is being made because currently, there is the actual cost of production minus the average cost of production from 1998, which is the last time that was adjusted. Since 1998, the cost of coal has doubled; pollution control costs and the cost to operate the plan have all gone up. He stressed that no one's bill changes, the charge simply shifts from one line to another. The low income seniors will get a rate decrease because of this change. Alderman Cahnman asked what the income criteria for the senior citizen's discount. Mr. Burns and Mr. Hobbie responded that the age is 62 and the income is 2.57% times poverty rate as published by the federal government. The income rate is set by policy and could be changed.

Alderman Edwards asked for a list of everything that makes up the base rate and everything that makes up the fuel adjustment charge. Mr. Burns responded that he does have such a chart and he will get that information to the Aldermen.

Alderman Turner stated that she has also received many calls from constituents and the school district concerned about the rate increase. She stated that she had asked for information on policy and management changes that have been made to react to the changes. Mr. Hobbie handed out an updated presentation with slides that address the changes that have been made in CWLP management and polices. A copy of his presentation is also included with these minutes.

Alderman Theilen asked how much longer the agreement with the Sierra Club is in effect. He pointed out that the cost of the wind energy might be what is contributing to the additional cost. Mr. Hobbie responded that there are two wind power contracts for a total of 120 megawatts, which were a result of the lowest bidder. He explained that the contract was as a result of a threat of litigation from the Sierra Club. That agreement was passed by the Council. The contracts started in 2007 and 2008. Both contracts are ten year contracts.

Alderman Turner asked how the contractual changes with the Village of Chatham will affect any future water rates. Mr. Hobbie responded that he does not anticipate a change in the water rates at all because the departure had already been factored into their planning.

Alderman Edwards expressed frustration about the Sierra Club agreement and about the information that the Council was given about the power market. He stated that none of the Council members are experts in the power market and they rely on the information that the management of CWLP provides to them. He asked for honesty about the situation and that it is owed to the rate payers and to the Council.

Alderman Griffin also expressed frustration with the agreement that was made with the Sierra Club. He also pointed to businesses that have either gone out of business or are on the verge of going out of business. He pointed to a \$35 million grant that never materialized as a portion of the debt. He stated that the citizens of Springfield cannot keep paying for CWLP's mistakes.

Alderman Cahnman stated that when the new power plant was being built, other power companies were getting out of the generating business and focusing on distribution. He also pointed to the fact that the plant is one of the last coal plants that have been built and that the trend has been towards more natural gas. He also asked about the plan to raise the rate based on the consumer price index. Mr. Hobbie stated that CWLP realizes that the rate increase that they are asking for is significant and to avoid similar large increases in the future, to allow the rate to move with inflation. He pointed to other examples, such as union contracts, that have been approved in the past. Alderman Cahnman stated that while that makes sense for union contracts and worker, it may not be the same for electric rates. He also asked if the obligation to continue to utilize wind power expires with the contracts to provide wind power. Mr. Hobbie stated that it does. Alderman Cahnman stated that City is not at risk of being sued for not paying the bonds because CWLP has enough to pay for the bonds, just not the required 25% over what the bonds cost. Alderman Cahnman also pointed out that at some point, the cost of operating the plant might be more than the actual revenue that they would bring in. He asked if CWLP has considered taking some of the plants offline permanently because the cost of operating them is too high. Mr. Hobbie responded that the purpose of building the Dallman 4 power plant was to protect the consumers from the market volatility. But, when the market is down, they are not able to gain as much from the plant because there is a fixed cost of operating the plant. He also pointed to private companies that no longer generate their own power because it is too costly, but it exposes their rate payers to much higher electric rates.

Alderman Theilen asked about the Environmental Protection Agency's regulations that the plant needs to go through to become compliant for a second time. Mr. Burns responded that his is correct and that the rules have changed. Mr. Hobbie added that CWLP has filed an appeal in Washington circuit court because of the way that the rules came down. He also pointed out that the City has early adopted clean coal standards and have been accumulating clean air credits instead of purchasing the credits on the open market. The credits were used as the regulations got stricter to bridge the gap between the regulation and what CWLP's response would be to the regulation. When the Cross-State Air Pollution Regulation came out and wiped out all of the built up credits from the last twenty years. He then explained the changes to the regulations. The court issued a stay in late December and as a result, the rule is in limbo. Alderman Theilen clarified that the plant is currently looking at a limited production or more research and development. Mr. Hobbie stated that he was correct, but they are unsure how to best plan for the future given such a potential difference in the rules. Alderman Theilen asked if any of that potential additional cost is included with this rate increase. Mr. Hobbie stated that there is not and that there could be a need for further increases depending on the outcome of the ruling.

Alderman Dove pointed out that the dip in the wholesale power market began in the summer of 2008. He also pointed to the provision of using the Consumer Price Index for rates is set at when gross revenues exceed \$55 million. He asked when the last time that occurred. Mr. Hobbie stated that it depends on the market. Mr. Burns stated that CWLP has not ever been at that point because it has never had the capacity to sell power, but now with the Dallman 4 power plant, there is the capacity to sell power.

Alderman Lesko asked if there is an alternate plan in case the rate increase fails. He asked that they plan for a future without the rate increase. Mr. Hobbie responded that the situation has been going on for four years with CWLP trying to get by and that the rate increase has been coming for some time. He walked through some of the cuts and project delays that they have implemented.

Alderman Griffin asked if there was an opportunity to restructure the agreement with the wind power contracts in the hopes that the market will turn around. He also pointed out that all of the coal burning plants would be going out of business at some point and he asked if that would move CWLP's plants towards being able to operate at a profit. Mr. Burns stated that it would be impossible to tell.

Alderman McMenemy gave a brief overview of where CWLP stands at this point. He also pointed out that the City is facing many unknowns in the future. He asked if the needed \$19 million is raised, what would the chances of them being in a better position. Mr. Burns responded that he is unable to predict, but that only resolves the technical default problem, not the overall problem. Alderman McMenemy stated that he understands the uncertainty that they face. Mr. Hobbie stated that the increase will allow them to operate the plant for years to come, but he also stressed the uncertainty of the future. He stated that there is less than 1% of their budget left for reinvestment in their system as it sits today.

Alderman Edwards stated that while he understands their position, but many businesses are in the same situation. He stated that alternatives must be considered because imposing that amount of a rate hike is going to hurt many of the rate payers.

Alderman Cahnman asked if the increase can be held off until CWLP knows what they want to invest the additional money. Mr. Hobbie corrected Alderman Cahnman that the rate increase is not for future investments; it is strictly to continue operating expenses. He also stated that he understands that this is going to be hard on people and that it is not an easy thing for them to come to the Council with. He also stressed that the City is at a crossroads as to whether or not they will continue to invest in the utility.

Alderman Simpson stated that she would have preferred notice that they were headed in this direction three years ago so that the increase could be incremental instead of all at once.

Alderman Theilen asked if CWLP is limited as to which grid they are able to sell power. Mr. Hobbie responded that there is a break in the electric grid in the Rocky Mountains. CWLP is in the Midwest ISO market. The power is limited as to where it can be sold to because of the loss of power in the transmitting, but power can be sold from one market to another. Alderman Theilen also asked for information comparing CWLP to other power plants.

Alderman Lesko pointed out that a rate increase may have not always been a viable option considered because of previous CWLP managers.

Alderman Cahnman asked why the 2005 rate increase did not include operating costs for the Dallman 4 power plant. Alderman Simpson asked Mr. Hobbie to address his question as he goes through the new information given to the Aldermen.

Mr. Hobbie and Mr. Burns then walked through their revised power point presentation. A copy of that presentation is included with these minutes. He also detailed the various ways that CWLP has worked to cut costs and to save money.

Alderman Griffin stated that the Council and CWLP needs to work together to find a solution to the problem. He also observed that the \$500 million that was borrowed to build the new power plant contributed to the debt that they are currently facing. He stressed the need for transparency and to talk things openly and honestly.

Alderman Jobe agreed with Alderman Griffin that the Council needs to work together to find a solution. He asked how many times the Council was signaled that there were problems on the horizon and what are the consequences if the rates are not raised. Mr. Hobbie stated that the problem has been going on for many years. They had repeatedly gone to the different administrations to request a rate increase, but because it was an unpopular idea, they have been asked to manage through the problem. During their recent state of the utility address in 2011 to the Council, much of the same information was given to the Council.

Alderman Edwards stated that he had taken a look at the different rate increases since 1991 and they are all related to capital projects. And once the bond is paid off, the project becomes a normal operating expense. He also pointed out that the last of the previous rate increase was put into place in April of 2008. He asked CWLP to come up with alternatives because the support is not there to raise the rates 9.5%. He stated that his concern and higher priority is the rate payers, not the bond holders.

Alderman Turner asked CWLP to come back to the Council with a clear alternative to the rate increase. And while she agrees that there is a problem, she stated that she would like to see an alternative solution.

Alderman Jobe stated that the Council has an obligation to take responsibility for the utility on behalf of the rate payers of the City. He also expressed frustration that the action had been delayed for many years. Mr. Burns stated that they presented the lowest number that they could to the Council.

Alderman Turner asked if the increase has to be 9.5% or else. Mr. Burns stated that this is the best advice that they can give the Council.

Alderman Cahnman asked if the amount was enough to meet the bond obligation. Mr. Burns stated that there was a net income loss of over \$11 million in the last year. Through December 2012, there will be a net loss of \$14.3 million. He stressed that the debt coverage ratio is an indicator to the bond holders, but the net losses continue to pile up. Alderman Cahnman asked about the debt service payment referenced in the presentation. Mr. Burns explained that as a portion of the bond payments, a debt service reserve of \$42 million was created and if the utility runs into problem, it gives them a year to resolve it. During the Dallman 3 scrubber project, half of the debt service payment was replaced with a surety bond (an insurance policy). That move helped to complete the project. Mr. Hobbie also noted that the action was presented to the Council at that time as an ordinance and it was the best option at the time to avoid asking for a rate increase.

Alderman Theilen clarified that none of his questions are meant to be taken personally and that all of the calls that he has received have been supportive of the current management team. The concern arises in that the increase unfortunately is too much for the average citizen to handle. He also expressed his agreement with Aldermen Jobe and Lesko that alternatives need to be looked at.

Alderman Lesko made an analogy between purchasing a new car versus making the old one work better. He again asked them to find another way. Mr. Hobbie stated that they are not trying to blame previous administrations, but the world changed on everyone in the fall of 2008 and the rules have changed. He also pointed to a similar situation that occurred during the 1930's with Lake Springfield.

Alderman Edwards asked CWLP to look towards the end of the wind power contract and maybe re-negotiate the terms with them in exchange for a potential contract extension. Mr. Hobbie stated that they do not sell the wind power and it is booked against the electric load. But, all of that cost is included in the current rate. He stated that they are in continued negotiations with the wind energy provider and they are actively working with them.

Treasurer Langfelder pointed out that in FY 2009, the pilot payment to the corporate fund was \$5.3 million. In FY 2010 and 2011, it went up approximately \$8 million. He asked if the change of the pilot formula is correct or would they redo the calculation if they could. Mr. Hobbie stated that the calculation is set by policy by the administration. It is the utility's contribution to the City's finances. He also agreed that it has an impact to them, but it is one with which they live. Mr. Burns also pointed out that if the pilot program were to go away, then the City would have a revenue deficit issue. The new formula is 150% higher than the previous formula.

Alderman Cahnman asked if the Sierra Club would have to be consulted on any changes with the wind energy contracts. Mr. Hobbie stated that the original agreement only makes reference to amount and length of time for the purchase, not the price. Mr. Burns also pointed out that the contracts are not with the Sierra Club.

The motion to keep Agenda Item 2012-048 in committee passed with a voice vote of 10-0.

2012-026 AN ORDINANCE AUTHORIZING PAYMENT TO RONALD GILLETTE, A SPRINGFIELD POLICE PATROL OFFICER, FOR SETTLEMENT OF A WORKERS' COMPENSATION CLAIM FOR CASE NUMBER 07-WC-37525 (Requested by Mayor J. Michael Houston)

Alderman McMenamin asked if there was any rush on accepting this agreement. CC Cullen responded that there is a tentative agreement with the understanding that the ordinance would be discussed at Committee and then pass at the next Council meeting. Alderman Theilen pointed out that holding the ordinance in committee would require Mr. Gillette to wait.

Alderman Theilen made a motion to recess into executive session on Agenda Item 2012-026. His motion was seconded by Alderman Griffin. The motion carried with a voice vote of 10-0. Committee was recessed at 7:45pm.

Committee of the Whole was reconvened at 7:58pm. Alderman Theilen made a motion to place Agenda Item 2012-026 onto the consent agenda. His motion was seconded by Lesko. The motion carried with a voice vote of 10-0.

Janice Smith of 401 East Jefferson addressed the Council in regards to her opposition to the proposed CWLP rate increase. She also made an announcement about the upcoming Sparc's Cilli Supper.

Clerk Tumulty made an announcement that the public hearing on the proposed CWLP Rate Increase will be February 1, 2012 at 5:30pm in the Carnegie Room at the Lincoln Library.

A motion was made by Alderman Griffin to adjourn the meeting. His motion was seconded by Alderman Cahnman. The meeting was adjourned at 8:00pm.

Cecilia K. Tumulty

Cecilia K. Tumulty
City Clerk

#1

CHANGES TO ELECTRIC RATES AND CHARGES - CITY CODE CHAPTER 50.30

		CURRENT CITY CODE	UPDATED FOR ALL 2005 RATE INCREASES	AFTER FUEL ADJUSTMENT ROLL-IN (\$0.0237)	AFTER PROPOSED 9.50% RATE INCREASE
50.30 (a) RESIDENTIAL SERVICE - RATE 30					
ENERGY - WINTER PER KWH	\$	0.0573	\$ 0.0706	\$ 0.0943	\$ 0.1033
ENERGY - SUMMER PER KWH	\$	0.0691	\$ 0.0851	\$ 0.1088	\$ 0.1191
CUSTOMER CHARGE PER MONTH	\$	3.50	\$ 3.50	\$ 3.50	\$ 3.83
50.30 (b) RESIDENTIAL SERVICE - ELECTRIC HEAT - RATE 34					
ENERGY - WINTER PER KWH	\$	0.0501	\$ 0.0617	\$ 0.0854	\$ 0.0935
ENERGY - SUMMER PER KWH	\$	0.0691	\$ 0.0851	\$ 0.1088	\$ 0.1191
CUSTOMER CHARGE PER MONTH	\$	3.50	\$ 3.50	\$ 3.50	\$ 3.83
50.30 (c) GENERAL SERVICE - SMALL - RATE 40					
DEMAND - WINTER PER KW	\$	6.2100	\$ 7.6400	\$ 7.6400	\$ 8.3700
DEMAND - SUMMER PER KW	\$	7.5000	\$ 9.2400	\$ 9.2400	\$ 10.1200
ENERGY - WINTER PER KWH	\$	0.0544	\$ 0.0670	\$ 0.0907	\$ 0.0993
ENERGY - SUMMER PER KWH	\$	0.0609	\$ 0.0750	\$ 0.0987	\$ 0.1081
CUSTOMER CHARGE PER MONTH	\$	7.05	\$ 7.05	\$ 7.05	\$ 7.72
50.30 (d) GENERAL SERVICE - SINGLE METER SPACE HEATING - RATE 42					
DEMAND - WINTER PER KW	\$	6.2100	\$ 7.6400	\$ 7.6400	\$ 8.3700
DEMAND - SUMMER PER KW	\$	8.0700	\$ 9.9200	\$ 9.9200	\$ 10.8600
ENERGY - WINTER PER KWH	\$	0.0473	\$ 0.0582	\$ 0.0819	\$ 0.0897
ENERGY - SUMMER PER KWH	\$	0.0528	\$ 0.0649	\$ 0.0886	\$ 0.0970
CUSTOMER CHARGE PER MONTH	\$	11.75	\$ 11.75	\$ 11.75	\$ 12.87
50.30 (e) GENERAL SERVICE - SEPARATE METER SPACE HEATING - RATE 44					
ENERGY - WINTER PER KWH	\$	0.0608	\$ 0.0749	\$ 0.0986	\$ 0.1080
ENERGY - SUMMER PER KWH	\$	0.0691	\$ 0.0851	\$ 0.1088	\$ 0.1191
CUSTOMER CHARGE PER MONTH	\$	7.05	\$ 7.05	\$ 7.05	\$ 7.72

CHANGES TO ELECTRIC RATES AND CHARGES - CITY CODE CHAPTER 50.30

	CURRENT CITY CODE	UPDATED FOR ALL 2005 RATE INCREASES	AFTER FUEL ADJUSTMENT ROLL-IN (\$0.0237)	AFTER PROPOSED 9.50% RATE INCREASE
50.30 (f) GENERAL SERVICE - MEDIUM - RATE 46				
DEMAND - WINTER PER KW	\$ 8.3800	\$ 10.3000	\$ 10.3000	\$ 11.2800
DEMAND - SUMMER PER KW	\$ 9.8600	\$ 12.1400	\$ 12.1400	\$ 13.2900
ENERGY - WINTER PER KWH	\$ 0.0462	\$ 0.0569	\$ 0.0806	\$ 0.0883
ENERGY - SUMMER PER KWH	\$ 0.0525	\$ 0.0647	\$ 0.0884	\$ 0.0968
CUSTOMER CHARGE PER MONTH	\$ 120.00	\$ 120.00	\$ 120.00	\$ 131.40
50.30 (g) GENERAL SERVICE - LARGE - RATE 48				
DEMAND - WINTER PER KVA	\$ 8.8800	\$ 10.9400	\$ 10.9400	\$ 11.9800
DEMAND - SUMMER PER KVA	\$ 11.3400	\$ 13.9700	\$ 13.9700	\$ 15.3000
ENERGY - WINTER PER KWH	\$ 0.0367	\$ 0.0452	\$ 0.0689	\$ 0.0754
ENERGY - SUMMER PER KWH	\$ 0.0413	\$ 0.0509	\$ 0.0746	\$ 0.0817
CUSTOMER CHARGE PER MONTH	\$ 550.00	\$ 550.00	\$ 550.00	\$ 602.25
50.30 (h) GENERAL SERVICE - STATE OF ILLINOIS - RATE 58				
DEMAND - WINTER PER KW	\$ 8.1000	\$ 9.9700	\$ 9.9700	\$ 10.9200
DEMAND - SUMMER PER KW	\$ 10.5000	\$ 12.9300	\$ 12.9300	\$ 14.1600
ENERGY - WINTER PER KWH	\$ 0.0451	\$ 0.0556	\$ 0.0793	\$ 0.0868
ENERGY - SUMMER PER KWH	\$ 0.0508	\$ 0.0625	\$ 0.0862	\$ 0.0944
CUSTOMER CHARGE PER MONTH	\$ 550.00	\$ 550.00	\$ 550.00	\$ 602.25
50.30 (i) SENIOR CITIZEN RESIDENTIAL SERVICE - RATE 33 - SUBJECT TO 10% DISCOUNT ON ENERGY CHARGES				
ENERGY - WINTER PER KWH	\$ 0.0573	\$ 0.0706	\$ 0.0943	\$ 0.1033
ENERGY - SUMMER PER KWH	\$ 0.0691	\$ 0.0851	\$ 0.1088	\$ 0.1191
CUSTOMER CHARGE PER MONTH	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.83
50.30 (j) SENIOR CITIZEN RESIDENTIAL SERVICE - ELECTRIC HEAT - RATE 37 - SUBJECT TO 10% DISCOUNT ON ENERGY CHARGES				
ENERGY - WINTER PER KWH	\$ 0.0501	\$ 0.0617	\$ 0.0854	\$ 0.0935
ENERGY - SUMMER PER KWH	\$ 0.0691	\$ 0.0851	\$ 0.1088	\$ 0.1191
CUSTOMER CHARGE PER MONTH	\$ 3.50	\$ 3.50	\$ 3.50	\$ 3.83

#2



City of Springfield

Office of Public Utilities

CWLP Electric Division Finances and Rate Discussion

January 31, 2012



AGENDA

- **Electric Fund Financial Position**
- **Electric Revenue Performance**
- **Debt Coverage Shortfall**
- **Bond Rating Downgrade**
- **Future Debt Issuance Considerations**
- **Debt, Rates & Inflation Discussion**
- **CWLP Management Actions**
- **CWLP Recommendation**



Electric Fund Financial Position

- As of December 2011 (Last closed accounting period)
 - Electric Fund financial position at historical low
 - Electric Fund Working Cash was negative \$7,136,969
- Rating Agencies recommend 60 days working cash
 - That equates to \$27,980,000 for FY11
- Bank Line of Credit
 - CWLP owes \$2,250,000
 - Leaves borrowing capacity of \$12,750,000

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Electric Fund Financial Position

- Electric Fund owes Water Fund ~ \$6,300,000
 - Electric & Water share same account to pay bills
 - Same account used to pay bills, but accounting kept separate
 - Any interfund payables are booked monthly
- FY11 Electric Fund experienced Net Loss of \$12,236,133
 - Based on FY11 Audited Income Statement
- To date, FY12 has Net Loss in excess of \$14 million

4

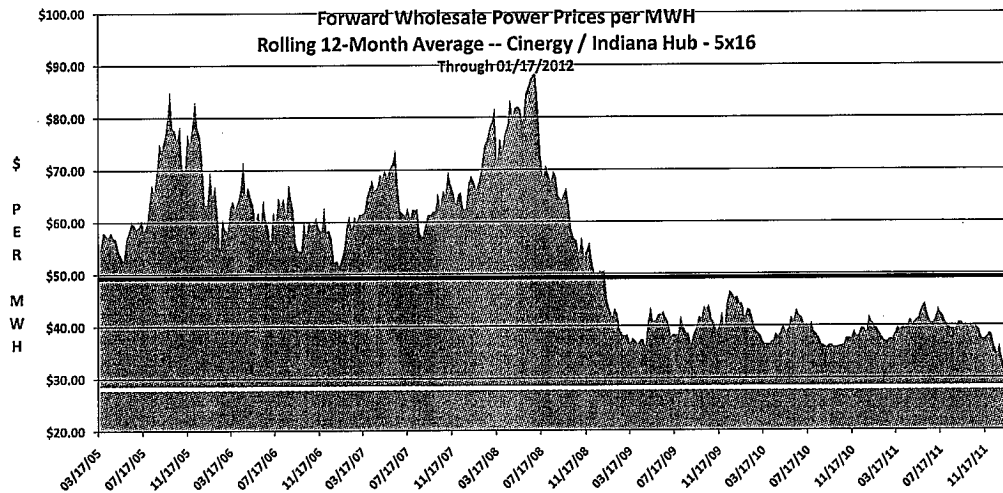


Electric Revenue Performance

- FY12 Electric revenues are \$20,329,879 below budget
- Wholesale revenues are \$20,523,345 below budget
- Wholesales power prices have continued to decline since the fall of 2008
- Current forward market prices are below \$31/MWH



Electric Revenue Performance





Debt Coverage Shortfall

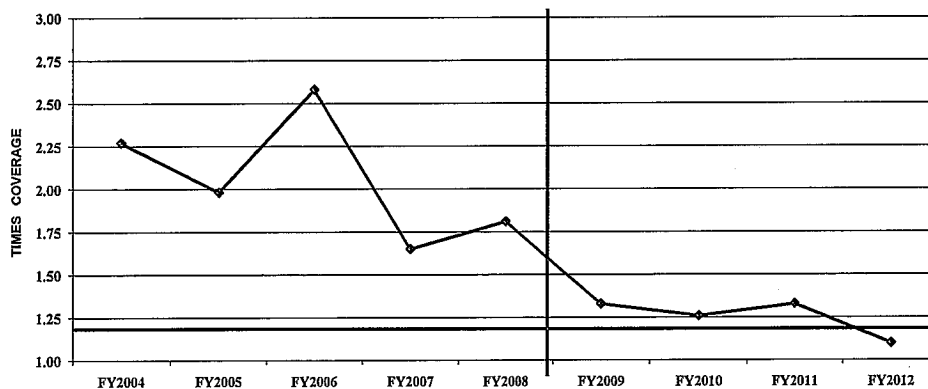
- Debt Coverage Ratio
 - $(\text{All Revenues} - \text{O\&M expenses}) / (\text{Principal and interest payments on outstanding debt})$
- Electric Fund Debt Coverage Ratio through December 2011 is 1.04x
- Bond Covenant requires 1.25x coverage
- Year end ratio of less than 1.25x would be technical default under Electric Fund Master Bond Ordinance

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Debt Coverage Shortfall

HISTORICAL ELECTRIC FUND DEBT COVERAGE RATIOS



- Master Bond Ordinance requirement of 1.25x was set in 1984
- Previous lowest ratio was 1.59x in 1993

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Debt Coverage Shortfall

- Missing Coverage Ratio is a Material Event that must be disclosed to Financial Markets
- CWLP will have obligation to correct situation
- CWLP needs to demonstrate plan to return to compliance prior to announcement to markets
- Bondholders have legal rights to protect their interests

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Debt Coverage Shortfall

- After City discloses default on debt coverage, bondholders have the right to compel the City to remedy debt coverage default
- City has 30 days to enact a remedy for debt coverage
- If City does not correct within 30 days, bondholders have right to take City to court to seek judicial relief

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Bond Rating Downgrade

- Moody's Investor Services downgraded Electric Fund December 2010
 - Moved from Aa3 to A1 rating
 - Also stated a Negative Outlook for Electric Fund
- Negative Outlook is an indicator of potential additional downgrades
- Main issues from Moody's downgrade were insufficient cash and debt coverage

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Future Bond Issuance

- Current and proposed environmental regulations will require extensive construction at power plant
- Potential projects
 - Upgrade or replacement of precipitators (31, 32, 33)
 - Ash collection systems (31, 32, 33)
 - Ash pond upgrades or closure
 - Convert from fuel oil to natural gas start on units (31, 32, 33)
 - Control Center – NERC compliant, storm hardened
 - NERC – North American Electric Reliability Corporation
- Must show financial improvement to rating agencies and markets to allow for borrowing to pay for improvements

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Debt, Rates & Inflation Discussion

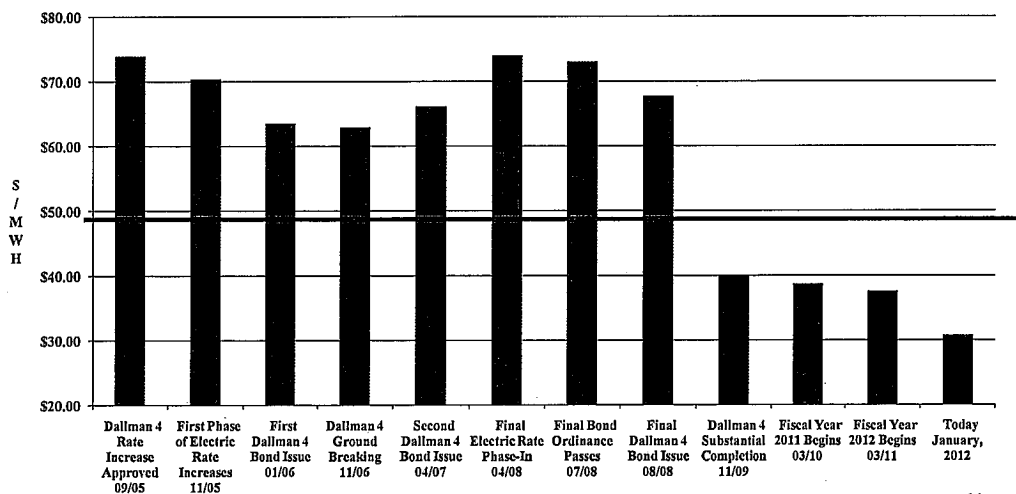
- Electric Fund carrying additional \$58 million in debt not provided for in 2005 rate increase
 - o Replace Assumed State Grant \$35,000,000
 - o Dallman 1 Recovery \$5,000,000
 - o Dallman 3 Scrubber upgrade \$15,000,000
 - o Additional Issuance Cost & Reserves \$3,000,000
 - o Total Additional Debt \$58,000,000

- Additional ~\$4 million of debt payments without coverage



Debt, Rates & Inflation Discussion

WHOLESALE POWER PRICES AT MILESTONE DATES





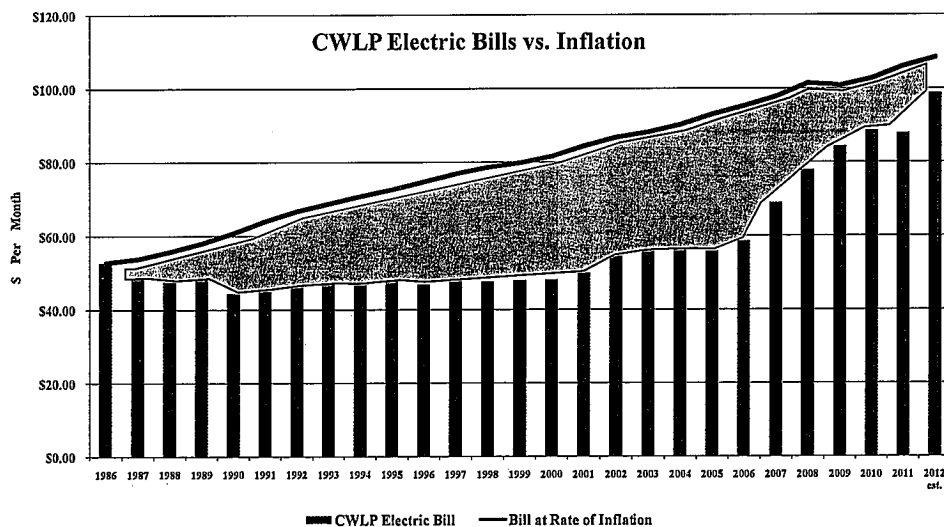
Debt, Rates & Inflation Discussion

- Since 2005 rate increase, inflation has increased by 14% as measured by Consumer Price Index (CPI)
- 2005 rate increase provided no allowance for inflation
- Additionally 2005 rate increase provided zero funds for operation and maintenance of Dallman 4

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Debt, Rates & Inflation Discussion





Debt, Rates & Inflation Discussion

CWLP Electric Rate Increase History – Last 20 Years

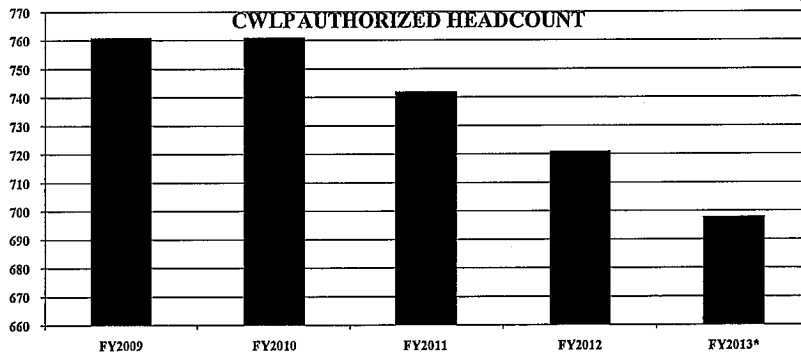
- **September 1991** **5.0%.**
 - 3.8% for Interstate Turbine and 1.2% for Operations & Maintenance

(Note: This increase was originally related to a Coal Gasification Project at the power plant. That project was ultimately cancelled and the Interstate Turbine was constructed.)
- **September 2000** **2.6%**
 - Dallman 31 and 32 Scrubber. (\$17 million State grant covered half of the project cost)
- **June 2001** **8.2%**
 - -Dallman 31, 32 and 33 Selective Catalytic Reduction systems for NOx removal and new customer billing and information system.
- **November 2005** **34.1% phased in over 6 steps**
 - Dallman Unit 4 and related power plant improvements

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CWLP Management Actions

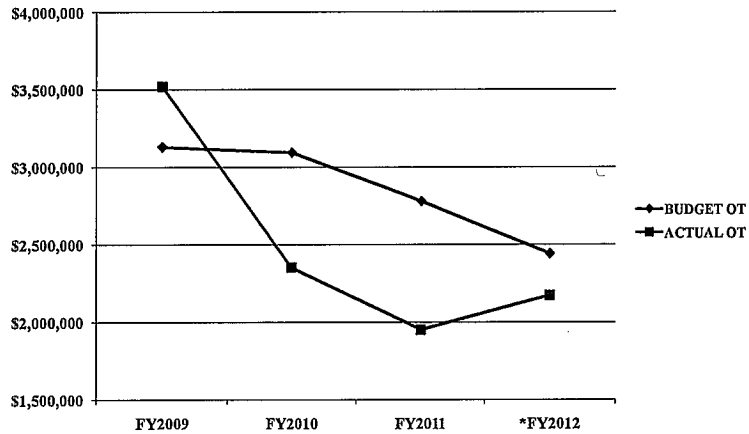


- 60 fewer authorized positions since FY10
- CWLP headcount at 672 as of 1/23/2012
- Labor cost reduction from FY10 to FY13 is \$4.387 million annually

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CWLP Management Actions

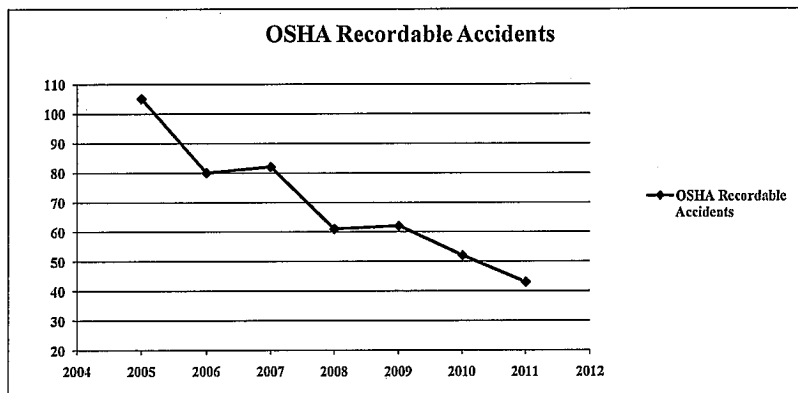


- Overtime costs have been reduced by over \$1 million

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CWLP Management Actions



- CWLP Safety Leadership Council (SLC) has lead initiative to reduce accidents and worker's compensation costs

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CWLP Management Actions

- In 2010, CWLP replaced half of debt service reserve with insurance policy to complete
- This was done to pay for the \$30 million Dallman 3 scrubber upgrade to stay in compliance with EPA rules
 - CWLP avoided additional borrowings & debt payments
- Monies from debt service reserve can only be used on capital projects not operation & maintenance expenses

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CWLP Management Actions

- Maintenance projects delayed
 - Unit 33 overhaul in 2011 delayed to spring 2013 (~\$3.5 million)
 - Unit 32 outage delayed by 1 year (~\$3 million)
 - 32 boiler tube rear wall replacement cancelled (~\$600,000)
 - 31 generating bank tube replacement cancelled (~\$4 million)
 - Cathodic protection cancelled on Dallman effluent tunnel ~(\$100K)
 - Interstate controls update cancelled (~\$500,000)
 - Dallman roof work cancelled (~\$350,000)
 - Unit 4 backup power feed (~\$1.2 million)
 - Fire protection for Dallman Units 31, 32 and 33 (~\$1.4 million)
- Low wholesale power prices with the additional debt and operating costs can no longer be absorbed by Electric Fund

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CWLP Recommendations

- CWLP Energy, Demand, and Customer Charge increase by 9.5% effective March 1, 2012
 - Typical customer of 850 kwh would pay an additional \$8.35/month
 - The 9.5% rate increase would generate approximately \$19.1 million in revenue for the Electric Fund
 - Inflation(CPI) has increased 14% since 2005
- This increase should restore debt coverage to approximately 1.50x by end of FY13

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CWLP Recommendations

- Rates adjusted annually by same CPI used in labor contracts
 - Electric Fund adjusted annually beginning March 1, 2013
- CPI adjustments would have ceiling of 3% and floor of 1%
- If gross wholesale electric revenues from prior calendar year exceed \$55,000,000 - CPI adjustment would not be applied
- CWLP would provide written report to Council on or before March 1, 2016 on continued use of CPI formula

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CWLP Recommendations

- Impact of fuel adjustment roll-in to base rate
 - Qualifying low income seniors immediately receive an additional 2.4% decrease in electric bill

- Project Relief
 - CWLP collects money from participating customers
 - Program administered by Contact Ministries
 - Money used to pay utility bills for most at risk customers
 - Collects about \$25,000 annually
 - CWLP will match \$2 for each \$1 contributed
 - CWLP will have a minimum commitment of \$50,000 annually and up to \$150,000

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