City of Columbia, Missouri

Meeting Minutes

Water and Light Advisory Board

Tuesday, December 16, 2025 1:00 PM	Basic Cost of Service & Key Financial Targets	701 E Broadway Columbia, MO Conference Room 1A/1B

I. CALL TO ORDER

The meeting began at 1:03 p.m.

Staff: Erin Keys, Acting Utilities Director; Sarah Talbert, Assistant Director Utilities-Rates and Fiscal Planning; Allison Anderson, Assistant Director Utilities-Water; Todd McVicker, Utilities Services Manager; Jason West, Communication and Outreach Supervisor; Earl Kraus, Assistant City Counselor; Peyton Oliver, City Management Fellowship; Lacey Salazar, City Management Fellowship; Christina Weaver, Administrative Technician II

Betsy Peters, City Council Member; Don Waterman, City Council Member
Carolyn Amparan, Public; Peter Schneeberger, Public; Maria Oropallo, Public

Present: 1 - Jennifer Coleman

Absent: 4 - Thomas Jensen, David Switzer, Philip Fracica and Ryan Westwood

II. INTRODUCTIONS

None. A round robin wasn't done for introductions.

III, COURSE OVERVIEW, AGENDA ITEMS, LEARNING OUTCOMES

Dawn Lund with the American Public Power Association went through the agenda for the training.

IV. CORE FINANCIAL REQUIREMENTS

Dawn Lund explained the core financial requirements. Balance sheets show assets, liabilities, and net position. The income statement focuses on the revenue expenses and ultimate income or losses of the utility over a given period. A cash flow statement provides data regarding all cash inflow and outflows received from its operations and investment activities; it can show unique cash transactions like borrowing, debt payoff, and transfers to and from other funds. The analytical steps of setting rates are as follows: define revenues needed to properly fund the system, equitably allocate the revenue requirements between the various customer classes, then design rates for each class of service to meet the revenue needs of the utility.

V. DETERMINING REVENUE REQUIREMENTS

Dawn Lund presented the requirements for determining revenue. The utility basis methodology combines O&M expense, depreciation, and rate of return to determine the total revenue requirements. The cash basis methodology combines the O&M expenses (excluding depreciation expense), capital expenses, and debt service (principal and interest) to determine the total revenue requirements. The cash basis attempts to match cash inflows and outflows on a yearly basis, and it's typically used in budget preparation. The cash basis tends to result in fluctuations of rate adjustments because the cash flow follows capital. Depreciation is a fair and equitable way to measure the consumption of the asset in one year. It fairly spreads out the cost of the asset over the useful life and places it in the revenue requirements each year for rate making and leads to more stabilized rates.

VI. SETTING KEY FINANCIAL TARGETS RELATED TO COST OF SERVICE

Dawn Lund explained key financial targets related to cost of service. Debt coverage ratio identifies cash generated by operations above the debt service payment. Debt coverage ratios are mandated by covenants and established in bond ordinances. When setting rates, a safety factor must be built into the coverage ratio for planning purposes since electric sales are dependent on weather, power supply prices fluctuate, and unexpected expenses can occur. A safety factor of 0.2 is typically added to bond coverage requirement. Cash reserve policy should identify a minimum cash reserve level, and there are at least five factors to consider when determining the minimum cash: O&M expenses, power costs, historical investment in assets, annual debt payment, and total five-year capital plan. A formal cash policy should be developed so future management, boards and councils will continue to maintain adequate reserve levels. A capital plan involves governing bodies strategic planning, engineering planning, and financial planning. A power cost adjustment is an automatic kWh charge that is passed through to customers for increasing power costs, and it reduces the amount and frequency of rate adjustments. Adequate rate of return on investment to help ensure current customers are paying their fair share of the use of the infrastructure and not deferring the charge to future generations. The target operating rate of return is typically 4-7% for municipals.

VII. COST OF SERVICE

Dawn Lund provided information on cost of service. Cost of service is a method to equitably allocate the revenue requirements of the utility among the various customer classes of service. Cost of service ensures rates recover costs to provide service to customers, defines optimal rate structure, and reduces cross-subsidization between classes. The steps of a cost of service study are as follows: define revenue requirements, arrange costs according to function, classify functionalized costs to cost components, and assign the classified cost to customer classes.

VIII. DETERMINING LONG-TERM RATE PLANS

Dawn Lund explained the importance of determining long-term rate plans. Customer charges need to be corrected during rate changes. A plan needs to be set to move in increments over time and impact needs to be looked at by usage and dollar. Surveys can be used to help guide rate design but not guide necessity for a rate adjustment.

IX. WRAP UP, Q&A, EVALUATION

There was not a quorum so there was no discussion.

X. ADJOURNMENT

The meeting adjourned at 4:30 p.m.

To submit questions or comments to the Water & Light Advisory Board, please email wlabpublic@como.gov

All media inquiries should be submitted to Matt Nestor at Matthew.Nestor@como.gov or Jason West at Jason.West@como.gov

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