

OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
APRIL 26, 2011 – 5:30 P.M.

The Board of Trustees met in regular session at Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, April 26, 2011 at 5:30 p.m.

Chairperson Gary Carlson called the meeting to order. Members of the Board were present as follows: Trustees Doyle Tubandt and Joan Axel. Trustees Warren Heidbreder and Scott Ingstad were absent from the meeting.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Donald W. Kerker, Board Secretary, Duane Goedken, Board Attorney; Charles Potter, Muscatine Journal; Ray Danz, Gary Wieskamp, Erika Cox, Brandy Olson and Brenda Christensen of Muscatine Power and Water (MP&W); Andrew Morrison of Market Strategies joined the meeting by telephone.

Chairperson Carlson asked if there was anyone in attendance who wished to make any public comments. There were no public comments.

The minutes of the March 31, 2011 regular meeting were presented as previously submitted to all Board members in written form. Trustee Axel moved, seconded by Trustee Tubandt, that the minutes be approved and placed on file as submitted. Motion carried. All Trustees present voted aye. The March 31, 2011, Audit/Finance Committee meeting minutes were received and placed on file.

The list of expenditures and transactions for March was presented as previously submitted to all Board members in written form. Mr. LoBianco stated that expenditures are up this month due to more coal receipts than in the prior month and the annual property insurance payment. After review and discussion, Trustee Tubandt moved, seconded by Trustee Axel, to ratify payment of \$5,994,520.76 for the Electric Utility, \$321,776.77 in the Water Utility, and \$721,159.52 for the Communications Utility for a cumulative total of \$7,037,457.05. Motion carried. All Trustees present voted aye.

The next item on the agenda was to review the Residential Customer Satisfaction Survey data. Mr. LoBianco reminded the Board that a customer survey had been deferred for the past two years due to cost cutting efforts, but staff felt it was important to have the survey completed this year to understand customers' perceptions and measure their satisfaction. Mr. Wieskamp advised that the objectives of the survey were to determine overall satisfaction with the Electric, Water, and Communications Utilities; MP&W's general performance and specific customer services and management measures; to benchmark MP&W with other municipal and investor-owned utilities; and to provide guidance for planning and marketing activities. The residential survey was conducted between March 1 and March 16, 2011 and four hundred (400) telephone interviews, with an average duration

of 16 minutes, were conducted and scored by the firm of Market Strategies, Inc. (MSI). Mr. Wieskamp introduced Dr. Andrew Morrison, President and CEO of Market Strategies, Inc. to review the survey summary findings that was previously provided in written form to all Board members and a presentation of the survey and comparison data. Dr. Morrison informed the Board that rate increases and a depressed economy appear to be contributing to declines in positive ratings for several measures. Dr. Morrison continued that he felt the economic crisis that hit in 2009 has led customers to become more cost conscious and, therefore, more likely to closely scrutinize monthly bills such as utility bills, tending to cause less positive responses. When comparing MP&W positive ratings to other utility companies in the MSI database MP&W ranked high in comparable measures. General discussion was conducted on the survey results. Trustee Axel moved, seconded by Trustee Tubandt, to receive and place on file the 2011 Residential Customer Survey results. Motion carried. All Trustees present voted aye.

Dr. Morrison left the meeting.

Mr. LoBianco stated that the next item on the agenda was to approve an electric rate adjustment for 2011 and 2012. He reminded the Board that at the March Board of Trustees meeting, management, along with Mike Johnson of Baker Tilly Virchow Krause, LLP (BT), presented the results of the Cost of Service/Rate Design Study with a recommendation that a revenue adjustment of five percent (5%) be implemented effective August 1, 2011 and August 1, 2012 for Electric Utility customers. Mr. LoBianco continued that staff met with large customers personally and all other Industrial Customers received a letter notifying them of the pending increase. Drivers necessitating the increase included depressed wholesale revenues, higher coal and coal transportation costs, and increasing operations and maintenance costs in all areas of the Utility. After discussion and review, the following resolution was submitted.

RESOLUTION 11-07

WHEREAS, certain studies have been made of the financial condition of the Electric Utility and presented to the Board of Water, Electric, and Communications Trustees for its consideration; and,

WHEREAS, the Board has reviewed these studies and determined that revenue increases are necessary to keep the Electric Utility in sound financial condition; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that the electric revenue be increased by 5 percent effective with electric usage starting August 1, 2011 and August 1, 2012, and that the energy adjustment clause remain at zero; and,

BE IT FURTHER RESOLVED, that said increases be effected by adoption of the rates proposed by Baker Tilly Virchow Krause, LLP Cost of Service/Rate Design Study dated March 2011; and,

BE IT FURTHER RESOLVED, that proper notice be given to contract consumers in accordance with the terms of the contracts.

Trustee Tubandt moved, seconded by Trustee Axel, that said resolution be passed, approved, and adopted this 26th day of April 2011. On roll call Trustees Axel, Tubandt and Carlson voted aye. Voting nay, none. Trustees Heidbreder and Ingstad were absent from the meeting.

Mr. LoBianco stated that the 2010 Muscatine Power and Water Annual Report has been completed and introduced Mr. Wieskamp to present the report. Mr. Wieskamp pointed out that the annual reports had been distributed to each of the Board members and asked if they had any questions about the report. He reminded the Board that in 2008 the Board had requested a less costly report and the Utility continued this theme in the past several years by eliminating most of the photos and other non-essential parts of the report. The Board congratulated the management team on reducing the cost of the report and agrees that the scaled down approach continues to be prudent due to current economic times. Trustee Axel moved, seconded by Trustee Tubandt, that the 2010 Annual Report be received and placed on file as submitted. Motion carried. All Trustees present voted aye.

Mr. LoBianco introduced the next item on the agenda, asking for approval of an Electric Utility Reimbursement Resolution. He said that this resolution was similar to other resolutions the Board had acted on in the past when the need for external financing was forecasted for capital expenditures. Mr. Kerker told the Board that to include the current capital projects as part of tax-exempt financing, the Board needs to adopt a reimbursement resolution. After discussion and review, the following resolution was submitted.

RESOLUTION 11-08

WHEREAS the City of Muscatine, Iowa (the "Issuer"), acting by and through its Board of Water, Electric and Communications Trustees (the "Board"), now desires to finance improvements to the Electrical Utility, including without limitation, the projects listed in Section 1 below; and

WHEREAS all or a portion of the expenditures relating to such Projects (the "Expenditures") (i) have been paid within the sixty days prior to the passage of this Resolution or (ii) will be paid on or after the passage of this Resolution from the Electric Revenue Fund; and

WHEREAS the Issuer reasonably expects to reimburse itself or pay for the Expenditures with the proceeds of an obligation;

NOW, THEREFORE, it is hereby resolved by the Board of Water, Electric and Communications Trustees of the City of Muscatine, Iowa as follows:

Section 1. The Issuer reasonably expects to reimburse or pay the Expenditures with proceeds of an obligation. Projects include but are not limited to:

- Unit 9 GE Mark V and EX2000 Upgrade
- Unit 8 Boiler Corner Tube Replacement Project
- Distribution Extensions and Improvements
- Traffic Signals at Warren and Grandview
- Replace #32 2000 Freightliner and Altec Digger/Derrick
- Phone System Upgrade
- Other Capital Projects and Improvements related to the municipal electric plant and system

Section 2. The maximum principal amount of the obligations expected to be issued for the projects is \$4,000,000.

Section 3. All actions of the officers, agents and employees of the Issuer or the Board that are in conformity with the purposes and intent of this Resolution, whether taken before or after the adoption hereof, are hereby ratified, confirmed, and adopted.

Section 4. This resolution shall be in full force and effect immediately upon its adoption.

Trustee Tubandt moved, seconded by Trustee Axel, that said resolution be passed, approved, and adopted this 26th day of April 2011. On roll call Trustees Axel, Tubandt and Carlson voted aye. Voting nay, none. Trustees Heidbreder and Ingstad were absent from the meeting.

Mr. LoBianco introduced Ray Danz, Director Power Production and Supply, to review the next agenda item, which was a revised project summary form for a SCADA Enhancement project. Mr. Danz stated that in 2010, project GN100308 SCADA Server and Open View Software Upgrade was approved as part of the Operating Budget; early into the project some problems were identified and the project scope was modified to concentrate on upgrading all servers to the same version of the Redhat Linux software. It was recognized that the workstations' hardware was marginal and would result in reduced performance when operating on the upgraded software, but believed it would operate reliably. In reality, the performance was much worse than predicted and it has started to present reliability issues. The work scope has been revised and the resulting total project cost is now \$150,000. Management believes this work is necessary in 2011 to ensure secure and reliable operation of the SCADA system. Trustee Axel moved, seconded by Trustee Tubandt, that the revised project summary form for the SCADA Enhancements be approved in the amount of \$150,000. Motion carried. All Trustees present voted aye.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum regarding the progress of the Unit 9 Outage and reported to the board that there were no major cost overruns on the outage and that there was only one minor first aid injury (skinned hand). He also stated that the Utility had its flood protection plan in place and there have been no problems with the high water.

The next item on the agenda was to receive and place on file the YTD and March Financial Operating Statements and Balance Sheets for each Utility and the Quarterly Investment Report. Mr. LoBianco gave the Board a short review of each Utility and stated that the March financial operating statements for the Electric, Water, and Communications Utilities would be reviewed in detail during the Fourth Quarter Critical Issue and Key Performance Indicator presentation. Trustee Tubandt moved, seconded by Trustee Axel, that the YTD and March Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities and the Quarterly Investment Report be received and placed on file. Motion carried. All Trustees present voted aye.

The Quarterly Project Status Report and Variance Analysis were presented as previously submitted to all Board members in written form. Trustee Axel moved, seconded by Trustee Tubandt to approve the Quarterly Project Status Report and Variance Analyses. Motion carried. All Trustees present voted aye.

The Critical Issues and Key Performance Indicators presentation for the Water, Electric, and Communications Utilities was the next agenda item. Mr. LoBianco asked each critical issue leader to review the status of their critical issue and Mr. Kerker to review the key performance indicators including financials. After review and discussion, Trustee Axel moved, seconded by Trustee Tubandt, to receive and place on file the 2011 First Quarter Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities. Motion carried. All Trustees present voted aye.

The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members in written format. There were no items for approval, the report was received and placed on file.

The March Departmental Reports were presented as previously submitted to all Board members in written form. General discussion was conducted on the departmental reports. Trustee Tubandt moved, seconded by Trustee Axel, to receive and place on file the March departmental reports. Motion carried. All Trustees present voted aye.

Chairperson Carlson asked if there were any other items of business. With no other items of business, Trustee Axel moved, seconded by Trustee Tubandt, that the meeting be adjourned at 7:10 p.m.

BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA



Donald W. Kerker
Board Secretary