

**PUBLIC HEARING OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
FEBRUARY 26, 2008**

The Board of Trustees conducted a public hearing in Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, February 26, 2008.

The roll was called and the following members of the Board were present: Trustees Warren Heidbreder, Doyle Tubandt, Joan Axel, Scott Ingstad, and Don Mead.

Also present were Mr. Jay D. Logel, General Manager of Muscatine Power and Water; Mr. Donald W. Kerker, Board Secretary; Mr. Duane J. Goedken, Board Attorney; Mr. John Haggerty, citizen; Mr. Charles Potter, KWPC/KMCS Radio Station; Ms. Jennifer Meyer, Muscatine Journal; Messrs. Sal LoBianco, Ray Danz, Terry Curry, and Mses. Erika Cox, Brandy Dulceak, and Ann Jones of MP&W.

The purpose of the hearing was to receive any written or oral comments for or against the Construction of Well 40, Well House, and Associated Appurtenances.

At 5:28 p.m. the Secretary opened the public hearing for the Construction of Well 40, Well House, and Associated Appurtenances.

Chairperson Heidbreder asked Secretary Kerker if any written or oral comments had been received regarding this project, and the Secretary replied that no comments had been received. The Chairperson asked the Secretary if publication of the notice of hearing and taking of bids in connection therewith had been published as required by the Code of Iowa and the Secretary replied that they had been published.

The Secretary asked if anyone in attendance wished to make any comments regarding this project. There were no comments. The following resolution was submitted.

RESOLUTION 08-05

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa had given tentative approval to plans and specifications for the Construction of Well 40, Well House, and Associated Appurtenances; and,

WHEREAS, bids had been received and there were no written or oral objections to proceeding with this project; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the plans and specifications for the Construction of Well 40, Well House, and Associated Appurtenances be adopted.

Trustee Mead moved, seconded by Trustee Axel, that the said resolution should be passed, approved, and adopted this 26th day of February 2008. On roll call Trustees Heidbreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

The Secretary closed the hearing.

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

A handwritten signature in cursive script, reading "Donald W. Kerker".

Donald W. Kerker
Board Secretary

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
FEBRUARY 26, 2008—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, February 26, 2008, at 5:30 p.m., CST.

Chairperson Heidbreder called the meeting to order. Members of the Board were present as follows: Trustees Warren Heidbreder, Doyle Tubandt, Joan Axel, Scott Ingstad, and Don Mead.

Also present were Mr. Jay Logel, General Manager of Muscatine Power and Water; Mr. Donald W. Kerker, Board Secretary; Mr. Duane Goedken, Board Attorney; Mr. John Haggerty, citizen; Mr. Charles Potter, KWPC/KMCS Radio Station; Ms. Jennifer Meyer, Muscatine Journal; Messrs. Sal LoBianco, Ray Danz, Terry Curry, and Mses. Erika Cox, Brandy Dulceak, and Ann Jones of MP&W.

Chairperson Heidbreder asked if there were any comments from the public. There were no comments.

The minutes of the January 29, 2008 public hearing and regular meeting were presented as well as the January 29, 2008 Audit/Finance Committee meeting minutes as previously submitted to all Board members in written form. Trustee Ingstad moved, seconded by Trustee Tubandt, that the minutes be approved as submitted, and the Audit/Finance Committee meeting minutes be received and placed on file. Motion carried. All Trustees voted aye.

The list of expenditures and transactions for January was previously submitted to all Board members in written form. Mr. Logel advised the January expenditures were higher than last year's and included payment of \$160,820.43 to several consultants for various projects and studies, and over \$2,000,000 for fuel and transportation. Mr. Don Kerker, Director of Finance and Administrative Services, stated that some principle and interest payments were also made in January, which included the Communications Utility semi-annual interest payment to the Electric Utility.

Trustee Axel moved, seconded by Trustee Mead, to ratify payment of \$7,647,813.58 for the Electric Utility, \$452,159.65 for the Water Utility, and \$1,455,715.24 for the Communications Utility or a total amount of \$9,555,688.47 for all three Utilities. Motion carried. All Trustees voted aye.

Mr. Logel reviewed the previously submitted memorandum to all Board members recommending that contracts be awarded for the Construction of Well 40 at Progress Park and for the Construction of a Well House since the well was in an isolated location. A total of six bids were received for the project; three for the construction of the well, Segment One, and three for the building construction, Segment Two, of the project.

The apparent low bidder for Well 40, Segment One, was The Northway Corporation in the amount of \$142,960.00 and for the Well House, Segment Two, was BMW Builders LLC in the amount of \$46,601.00. The total project approved amount was \$295,000.00.

During staff's evaluation of the well construction bids it was discovered that the low bidder provided a bid for a 36-inch well casing and screen. The specifications requested a 36-inch instead of a 30-inch well casing and screen as shown on the engineering drawings. The intent was for bidders to provide a 30-inch well casing and screen. After consultation with Staff Attorney, staff contacted The Northway Corporation representatives and negotiated a price reduction of \$12,000.00 to provide a 30-inch well casing and screen. The revised bid from Northway Corporation for Construction of Well 40, Segment One, was \$130,960.00. Material and labor increases have resulted in a higher than anticipated bid for the construction of the well.

Mr. Logel continued that there were no exceptions or clarifications to specifications by the low bidders and therefore staff recommended that two contracts be awarded. The bid in the amount of \$130,960.00 from The Northway Corporation for the Construction of Well 40, Segment One, should be accepted and a contract awarded for this work. The low bid in the amount of \$46,601.00 from BMW Builders LLC for the Construction of the Well House, Segment Two, should also be accepted and a contract awarded for this construction.

General discussion was conducted on the recommendations and the following resolutions were submitted:

RESOLUTION 08-06

WHEREAS, it appears in a written report from the Board's staff that the negotiated bid as submitted by The Northway Corporation in the amount of \$130,960.00 for Construction of Well 40, Segment One, in Progress Park was the lowest bid; now therefore,

BE IT RESOLVED by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the proposal of The Northway Corporation in the amount of \$130,960.00 for Construction of Well 40, Segment One, in Progress Park was hereby accepted; and,

BE IT FURTHER RESOLVED, that the Chairperson and Secretary of the Board be and they are hereby authorized, empowered, and directed to execute the contract in the sum heretofore approved by the said Board of Water, Electric and Communications Trustees; and,

BE IT FURTHER RESOLVED, that the bid security be returned to the unsuccessful bidders.

Trustee Ingstad moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted on this 26th day of February 2008. Trustees Heidbreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

RESOLUTION 08-07

WHEREAS, it appears in a written report from the Board's staff that the bid as submitted by BMW Builders LLC in the amount of \$46,601.00 for Construction of Well House, Segment Two, was the best and lowest bid received; now therefore,

BE IT RESOLVED by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the proposal of BMW Builders LLC in the amount of \$46,601.00 for Construction of Well House, Segment Two, was hereby accepted as submitted; and,

BE IT FURTHER RESOLVED, that the Chairperson and Secretary of the Board be and they are hereby authorized, empowered, and directed to execute the contract in the sum heretofore approved by the said Board of Water, Electric and Communications Trustees; and,

BE IT FURTHER RESOLVED, that the bid security be returned to the unsuccessful bidders.

Trustee Mead moved, seconded by Trustee Axel, that the said resolution should be passed, approved, and adopted on this 26th day of February 2008. Trustees Heidbreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

Mr. Logel stated that the next agenda item was a "house cleaning" item. The responsibility for receiving and opening bids for projects was that of the Board of Trustees. The Iowa Code allowed the Board of Trustees to delegate this responsibility of receiving and opening bids to a public official.

In 2001 the Board of Trustees delegated this duty to the Board Secretary, the Manager of Purchasing and Stores, and the Administrative Assistant. Due to position title changes it was recommended that the responsibility for receiving and opening bids be delegated to the Board Secretary, Manager of Strategic Sourcing, Executive Assistant/Office Manager, and to add the position of Strategic Sourcing Supervisor. After discussion and review of this responsibility the following resolution was submitted.

RESOLUTION 08-08

WHEREAS, the Code of Iowa contains provisions allowing this Board of Trustees to delegate its authority to receive and open sealed bids to an officer of the Utility; now therefore,

BE IT RESOLVED, that the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, hereby delegates it authority to receive and open sealed bids to the Secretary of the Board, the Manager of Strategic Sourcing, the Executive Assistant/Office Manager, and the Strategic Sourcing Supervisor pursuant to the provisions of Chapter 26.11 of the Iowa Code; and,

BE IT FURTHER RESOLVED, that all previous action taken by this Board of Trustees delegating authority for receiving and opening of sealed bids was hereby revoked.

Trustee Mead moved, seconded by Trustee Ingstad, that the said resolution should be passed, approved, and adopted this 26th day of February 2008. On roll call Trustees Heidbreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

As previously mentioned to the Board of Trustees the number four high-pressure feedwater heater on Unit 9 has failed. Mr. Logel advised that the replacement was not included in the 2008 Electric Utility Operating Budget. The failed feedwater heater limits Unit 9 capacity and efficiency and therefore it was management's recommendation that Unit 9 Feedwater Heater number 4 be retubed at an estimated cost of \$514,000.00.

Mr. Logel stated that a project cost estimate and further justification for the work was previously submitted to all Board members with the memorandum regarding this issue. The feedwater tubing failure was caused by exposure to oxygen and water during outage periods; a new system (nitrogen blanketing) will be installed to minimize the potential of a reoccurrence. The original feedwater heater tubing material was Monel, approximately 70 percent nickel and 30 percent copper. The new material will be stainless steel which was less susceptible to oxygen attack during the outage periods. The feedwater heater currently was out of service limiting Unit 9's capacity by approximately five megawatts below the accredited capacity and adversely affecting the Unit's efficiency. Based upon current material delivery estimates, it was anticipated that the project will be completed and the feedwater heater returned to service during the fourth quarter of 2008.

General discussion was conducted on the project. Trustee Tubandt moved, seconded by Trustee Mead, to approve the retubing of Unit 9's number four feedwater heater in the estimated amount of \$514,000.00. Motion carried. All Trustees voted aye.

Mr. Logel stated that the next agenda item pertained to staff's recommendation to set dates to receive bids and to conduct a public hearing for Water Main Improvements – 2008 Projects. There were eight projects included in the 2008 Water Operating Budget and due to numerous breaks this winter an additional project has been added to the list for a total of nine projects. The total expenditure for the water main improvements was estimated to be \$411,343.00. The projects included: Bryan, McArthur to Douglas; Fairview, east end; Grand Avenue, Jackson to Clay; Grandview Avenue, Musser to Brier; Isett Avenue, Webster to Scott; Summit, Lake Park to McArthur; Wier Street; Whicher, West 5th; and Illinois and Earl Streets. Staff was coordinating the Utility projects with the City of Muscatine streets and sewer repair work and therefore trying to minimize street disruption.

It was staff's recommendation that bids be received March 11, 2008 at 3:00 p.m. and a public hearing be conducted at 5:28 p.m. on March 31, 2008. After discussion and review of the projects and the cost benefit for coordinating the Utility projects with the City projects, the following resolution was submitted.

RESOLUTION 08-09

WHEREAS, plans and specifications have been prepared for Water Main Improvements – 2008 Projects; and,

WHEREAS, said proposed plans and specifications and proposed form of contract were now on file with the Secretary of the Board and the Board finds the same were in substantial conformity with the requirements necessary to carry out said plans; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the plans and specifications in the proposed form for Water Main Improvements – 2008 Projects were tentatively approved; and,

BE IT FURTHER RESOLVED, that the date of March 11, 2008, at 3:00 p.m., CDT, was hereby set for receipt of bids on said projects at which time the Board's duly appointed representative was hereby authorized, empowered, and directed to receive, open and read aloud all sealed bids, and receive and record all oral bids, and keep a written record of said proceedings and notice to bidders be published not less than four (4) days nor more than forty-five (45) days prior to said date for receipt of bids all as required by the Code of Iowa; and,

BE IT FURTHER RESOLVED, that the hearing on said plans and specifications and proposed form of contract as provided by statute, be held in the office of the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on March 31, 2008, at 5:28 p.m., CDT, and notice be published not less than four (4) days nor more than twenty (20) days prior to said hearing all as required by the Code of Iowa.

Trustee Tubandt moved, seconded by Trustee Axel, that the said resolution should be passed, approved, and adopted on this 26th day of February 2008. Trustees Heidebreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

Mr. Logel reviewed a previously submitted memorandum to all Board members regarding the CDB Utility Contractors 2008 contract for Horizontal Directional Drilling – 2008 Projects. This contract was awarded in 2007 for the projected 2008 projects requiring horizontal drilling. There have been some modifications to the 2008 projects which resulted in changes in the quantities and unit prices of the contract. The increased amount was \$53,491.00 for a contract price of \$180,976.50. It was recommended that the Board of Trustees approve Contract Change Order 1 in the amount of \$53,491.00 to the CDB Utility Contractors contract for Horizontal Directional Drilling – 2008 Projects for a new contract amount of \$180,976.50.

The following resolution was submitted.

RESOLUTION 08-10

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on February 27, 2007, awarded a contract to CDB Utility Contractors in the amount of \$127,485.50 for the Horizontal Directional Drilling, Contract 3, – 2008 Projects; and,

WHEREAS, Contract Change Order 1 has been prepared to said contract in the amount of \$53,491.00 and said Contract Change Order 1 was reviewed by the Board and the Board's staff has recommended approval of said Contract Change Order 1; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees that the said Contract Change Order 1 in the amount of \$53,491.00 be and the same was hereby approved for a new contract price of \$180,976.50.

Trustee Axel moved, seconded by Trustee Ingstad, that the said resolution should be passed, approved, and adopted on this 26th day of February 2008. On roll call Trustees Heidbreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

In the General Manager's report Mr. Logel reviewed the previously submitted memorandum to all Board members. The June Board of Trustees meeting was moved to June 30, 2008 due to a conflict with the American Public Power Conference. There will not be a quorum for the June 30 meeting, so it was recommended that the June Board of Trustees meeting be conducted on June 20, 2008 at 7:30 a.m.

Trustee Tubandt moved, seconded by Trustee Axel, to conduct the Board of Trustees monthly meeting June 20, 2008 at 7:30 a.m. Motion carried. All Trustees voted aye.

The Board's General Manager Search Committee has selected the firm of Little & Associates to assist with selection of a new General Manager. Mr. Logel advised that the Board's Personnel/Public Relations Committee will meet in May to discuss the 2008 Salary Administration Program expenditures. At the May Board of Trustees meeting there will be a closed session to review the performance of the General Manager.

Mr. Logel stated that the Unit 8 Cyclone Restud and Refractory project will exceed the approved amount. Since the maintenance of Unit 8's cyclones was necessary the work will be completed during the May scheduled outage. The major portion of the increase was the cost to remove the old refractory, approximately \$100,000.00, along with general across the board increases for labor and materials. A revised project estimate will be submitted to the Board of Trustees for approval with the First Quarter Project Status Report and Variance Analyses.

The replacement energy for Unit 9's March outage has been obtained except for the on-peak energy the last two days of the month. If replacement energy was required for the last two days, the energy will be purchased from the real-time market, but in previous years the outage was completed early. The cost for replacement energy was \$2,384,607.00 versus the approved budget amount of \$2,170,410.00.

Mr. Logel stated this concluded his report, unless there were questions of himself or management by the Board. There were no other items.

The financial operating statements and balance sheets for January 2008 were previously submitted to all Board members in written form. Mr. Logel asked Mr. Don Kerker, Director of Finance and Administrative Services, to review the Electric, Water, and Communications financials

Mr. Kerker briefly reviewed the financial results for each Utility. The Electric Utility's wholesales sales were being reported slightly different starting January 2008. The sales will be the gross sales with the transmission costs, and any market commission fees being separately listed within the financials. On page eight of the Electric Utility financials was the line items for transmission and commission fees. A new page has been developed to further iden-

tify the wholesale sales revenue, transmission costs, fuel, and emission allowance expense for the Board's information. Muscatine Power and Water was a low-cost producer of energy and approximately ninety percent of the excess capacity was sold during the month of January. Discussion was conducted whether membership in MISO would have an impact on sales. The January financial results were good for all three Utilities.

Trustee Mead moved, seconded by Trustee Ingstad, to receive and place on file the January financial operating statements and balance sheets for Electric, Water, and Communications Utilities. Motion carried. All Trustees 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 January departmental reports were presented as previously submitted to all Board members in written form. Discussion was conducted on the Customer Input Report; there were twenty-six negative comments about MPW Cable. The Weather Channel had an equipment failure during the month and customers were unhappy that the weather information was not available during a winter storm period. The Departmental Reports were received and placed on file for January.

With no other items of business the meeting was adjourned at 6:20 p.m.

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

A handwritten signature in black ink, appearing to read "Donald W. Kerker". The signature is fluid and cursive, with the first name "Donald" being the most prominent.

Donald W. Kerker
Board Secretary