

**PUBLIC HEARINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
AUGUST 25, 2009**

The Board of Trustees conducted public hearings in Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, August 25, 2009.

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

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Don Kerker, Board Secretary; Duane Goedken, Board Attorney; Charles Potter, KWPC/KMCS Radio Station; Amy Cahill, Muscatine Journal; David Fee and Lacey Loewe of Principal Financial Group; Ray Danz, Gary Wieskamp, Erika Cox, Brandy Dulceak, Mark Nelson and Brenda Christensen of Muscatine Power and Water (MP&W).

The purpose of the hearings were to receive any citizens' comments regarding (1) the Public Utility Regulatory Policies Act (PURPA) Integrated Resource Planning, Rate Design Modifications to Promote Energy Efficiency Investments, Consideration of Smart Grid Investments, and Smart Grid Information and (2) the Construction of Well(s) at Owners Main Well Field – 2009 Project.

At 5:26 p.m Chairperson Ingstad opened a public hearing pursuant to the Energy Policy Act of December 2007, requiring MP&W to commence a proceeding on or before December 19, 2008, to consider adopting four new PURPA standards; Integrated Resource Planning, Rate Design Modifications to Promote Energy Efficiency Investments, Consideration of Smart Grid Investments, and Smart Grid Information. MP&W published notices on December 9, 2008, January 6, 2009 and January 30, 2009 in the Muscatine Journal soliciting written and/or oral comments from the public at the February 3, 2009, public hearing. The public hearing was conducted at MP&W on February 3, 2009 to receive and record citizens' comments. No written or oral comments were received at the hearing.

Management has completed its reviews of these four standards and will make recommendations on the proposed standards for the Board of Trustees' consideration. MP&W published a legal notice on August 6, 2009 in the Muscatine Journal notifying the public of the opportunity to review management's proposed recommendations and the public hearing on the recommendations to the Board at the August 25, 2009 meeting.

Chairperson Ingstad asked Secretary Kerker if any written or oral comments had been received regarding the Public Utility Regulatory Policies Act (PURPA) Integrated Resource Planning, Rate Design Modifications to Promote Energy Efficiency Investments, Consideration of Smart Grid Investments, and Smart Grid Information. Secretary Kerker replied that no oral or written comments had been received regarding the standards. Chairperson Ingstad asked if anyone in attendance wished to make any comments regarding the standards. There were no comments.

Secretary Kerker closed the hearing.

At 5:28 p.m. Secretary Kerker opened the public hearing for Construction of Well(s) at Owners Main Well Field – 2009 Project.

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

Secretary Kerker asked if anyone in attendance wished to make any comments regarding this project. There were no comments.

RESOLUTION 09-20

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa has given tentative approval to plans and specifications for Owners Main Well Field – 2009 Project; and,

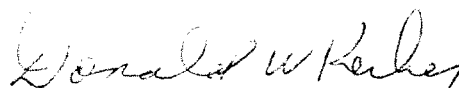
WHEREAS, bids have been received and there are no written or oral objections to proceeding with this project; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the plans and specifications for Construction of Well(s) at Owners Main Well Field – 2009 Project be adopted.

Trustee Axel moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted this 25th day of August 2009. On roll call Trustees Axel, Carlson, Heidbreder, Tubandt and Ingstad voted aye. Voting nay, none.

Secretary Kerker closed the hearing.

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

A handwritten signature in cursive script, appearing to read "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
AUGUST 25, 2009 – 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, August 25, 2009, at 5:30 p.m., CST.

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

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Donald W. Kerker, Board Secretary; Duane J. Goedken, Board Attorney; Amy Cahill, Muscatine Journal; Charles Potter, KWPC/KMCS Radio Station; David Fee and Lacey Loewe of Principal Financial Group; Ray Danz, Gary Wieskamp, Erika Cox, Brandy Dulceak, Mark Nelson and Brenda Christensen of Muscatine Power and Water.

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

The minutes of the July 28, 2009, public hearings and regular meeting were presented as previously submitted to all Board members in written form.

Trustee Axel moved, seconded by Trustee Carlson, that the July 28, 2009, public hearings and regular meeting minutes be approved as submitted. Motion carried. All Trustees present voted aye.

The list of expenditures and transactions for July was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Heidbreder moved, seconded by Trustee Carlson, to ratify payment of \$5,835,503.12 for the Electric Utility, \$492,471.64 for the Water Utility, and \$1,696,452.85 for the Communications Utility for a cumulative total of \$8,024,427.61. Motion carried. All Trustees present voted aye.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding the receipt and evaluation of bids to Construct Wells 41 and 42 at Owner's Main Well Field – 2009 Project. Specifications pertaining to subject were mailed to eight potential bidders. A total of four bids were received, opened publicly, and read aloud on August 13, 2009, at 3:00 p.m. with two bidders attending the opening. Bids were received on the basis of total firm extended costs per segment and a combined total for both wells. The apparent low bidder is The Northway Corporation, Marion, IA. A bid tabulation was attached for the Board's reference. The published estimate for this letting, based upon award of both wells, was \$379,305 and the total approved expenditure for this project is \$540,760. The bids were reviewed and conformance established to the specifications of the low bidder. There were no exceptions or clarifications to the bid documents taken by the low bidder.

Mr. LoBianco continued that due to economic conditions, and in accordance with an option provided in the bid documents, it is recommended that the Board award only Segment 1 – Well 41 work to The Northway Corporation, Marion, IA, at a total price of \$159,281. Trustee Carlson asked if MP&W has previously worked with The Northway Corporation and Mr. LoBianco replied yes and said that the Utility found their work to be acceptable.

Mr. LoBianco also stated that although part of this project, Segment 2 – Well 42, was deferred due to efforts to manage cash, it will need to be done in the future and the Board will see this again in the future.

After review of the project the following resolution was submitted.

RESOLUTION 09-21

WHEREAS, it appears in a written report from the Board's management that the bid to Construct Well 41 at Owner's Main Well Field – 2009 Project, as submitted by The Northway Corporation of Marion, Iowa in the amount of \$159,281 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 in the amount of \$159,281 was hereby accepted as submitted; and,

BE IT FURTHER RESOLVED, that the General Manager and Secretary of the Board were hereby authorized, empowered, and directed to execute a contract in the sum 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 Axel moved, seconded by Trustee Carlson, that said resolution be passed, approved, and adopted this 25th day of August 2009. On roll call Trustees Axel, Carlson, Heidbreder, Tubandt and Ingstad voted aye. Voting nay, none.

Mr. LoBianco reminded the Board that at the January 2009 Board meeting, the Board requested that pension plan investment results be reviewed on a quarterly basis for a period of time due to the loss that was experienced in 2008. Mr. LoBianco introduced Erika Cox, Director of Customer and Employee Services, to introduce the Principal Financial Group guests. Ms. Cox introduced David Fee, Sr. Investment Consultant, and Lacey Loewe, Sr. Relationship Manager, from the Principal Financial Group to provide an update on the status of the plan's first quarter 2009 asset allocation, investment earnings results and funding status.

Mr. Fee directed the Board to the previously provided presentation submitted from Principal Financial Group. He reviewed the current portfolio and the allocation of strategic assets. He explained that a few small adjustments had been made in several of the groups.

Principal believes that these adjustments will better position the MP&W investment portfolio to meet Utility goals. Expectations of Principal are that it is still early for a market rally, and there still has not been turnaround in the commercial real estate, which is needed to improve performance. He went on to explain that while Principal Financial Group feels the outlook is optimistic, they don't expect anything but stabilization until at least mid 2010. The Board expressed their thanks for the update

David Fee and Lacey Loewe left the meeting at 5:50 p.m.

Mr. LoBianco stated that at the July Board of Trustees meeting, the Board Policy Manual was presented in draft form for the Board's input and comments. The manual has been finalized and it was recommended that the Board approve the manual. There was some discussion on changes to the manual and it was stated that the Board would like to be made aware of policies in the manual as they apply to subjects in future Board meetings.

Trustee Carlson moved, seconded by Trustee Axel, that the Board Policy Manual be approved as presented. Motion carried. All Trustees present voted aye.

Chairperson Ingstad introduced the next item on the agenda as a recommendation to authorize the Water Utility to borrow an amount not to exceed \$494,000 from the Iowa Department of Natural Resources' State Drinking Water Revolving Loan Fund for the Well Motor Control Project. Mr. LoBianco reminded the Board that as part of the Utility Stimulus Committee's ongoing effort to identify and match funding opportunities with Utility projects, the Utility had submitted a proposal to the Iowa Department of Natural Resources (IDNR) to fund the replacement of older well motor controls with more efficient variable frequency drives (VFD). The Utility was awarded funds for the Well Motor Control Project under the IDNR's State Revolving Loan Fund administered by IDNR and the Iowa Finance Authority (IFA). This project qualified for ARRA (Stimulus Act) funding as a "green" water project and is eligible for 20% loan forgiveness. Well motor control replacements were previously scheduled to take place over an extended time, but with this available funding and the requirements of the Stimulus Act, the project is scheduled to be completed within the next two years. Mr. LoBianco stated that this project had been before the Board in June and July for bid letting and authorization for management to continue to proceed. Management and staff have been working with IDNR and Finance Counsel from the law firm of Ahlers & Cooney to comply with the program requirements and to prepare the loan documents. The closing for the loan is expected in September.

The Loan Agreements provide for the borrowing of up to \$494,000. Under the program, the Utility will submit documentation of funds expended and receive reimbursement from IFA as the project proceeds. The loan carries 3.25% interest and will be repaid over 10 years. The 20% forgivable portion of the loan would be forgiven after completion of the work and certification by IFA. The Utility has the option to repay early without penalty. A draft copy of the Loan Agreements and Tax Certificate were provided to the Board for their review in the Board packet. Final documents will be substantially similar to these as final dollars will be confirmed with IDNR and IFA. The Board packet also contained a complete resolution for their reference.

Trustee Carlson moved, seconded by Trustee Tubandt, to place on file and approve the Tax Exemption Certificate and Loan and Disbursement Agreements. Motion carried. All Trustees present voted aye.

The following resolution was submitted.

RESOLUTION 09-22

A RESOLUTION APPROVING AND AUTHORIZING THE FORM OF LOAN AND DISBURSEMENT AGREEMENTS BY AND BETWEEN THE CITY OF MUSCATINE, BY AND THROUGH ITS BOARD OF WATER, ELECTRIC AND COMMUNICATIONS TRUSTEES, AND THE IOWA FINANCE AUTHORITY, AND AUTHORIZING AND PROVIDING FOR THE ISSUANCE AND SECURING THE PAYMENT OF UP TO \$494,000 WATER REVENUE CAPITAL LOAN NOTES, SERIES 2009, UNDER THE PROVISIONS OF THE CODE OF IOWA, AND PROVIDING FOR A METHOD OF PAYMENT OF SAID NOTES.

WHEREAS, the Board of Water, Electric and Communications Trustees of the City of Muscatine, Iowa, has heretofore established charges, rates and rentals for services which are and will continue to be collected as system revenues of the municipal water system, sometimes hereinafter referred to as the "System", and said revenues have not been pledged and are available for the payment of Water Revenue Capital Loan Notes, Series 2009, subject to the following premises; and

WHEREAS, Issuer proposes to issue its Water Revenue Capital Loan Notes, Series 2009, up to \$494,000, for the purpose of defraying the costs of the Project as set forth in Section 1 of this Resolution; and, it is deemed necessary and advisable and in the best interests of the Issuer that the form of Loan and Disbursement Agreements by and between the Issuer and the Iowa Finance Authority, be approved and authorized; and

WHEREAS, pursuant to the American Recovery and Reinvestment Act of 2009 ("ARRA"), and in accordance with the terms of the Forgivable Loan and Disbursement Agreement, the Iowa Finance Authority has authority to make and desires to make a forgivable loan to the City, from funds available to the Iowa Finance Authority under the ARRA, for the purpose of assisting in financing a portion of the Project (defined herein); and

WHEREAS, the notice of intention of Issuer to take action for the issuance of not to exceed \$500,000 Water Revenue Capital Loan Notes, Series 2009, has heretofore been duly published and no objections to such proposed action have been filed.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF WATER, ELECTRIC AND COMMUNICATIONS TRUSTEES OF THE CITY OF MUSCATINE, STATE OF IOWA:

Section 1. Definitions. The following terms shall have the following meanings in this Resolution unless the text expressly or by necessary implication requires otherwise:

- "Additional Bonds" shall mean any water revenue bonds or notes or other obligations issued on a parity with the Notes in accordance with the provisions of Section 22 hereof.

- "Agreements" shall mean the Loan and Disbursement Agreement and the Forgivable Loan and Disbursement Agreement, both dated as of the Closing between the Issuer and the Original Purchaser, relating to the Loan made to the Issuer under the Program;
- "Closing" shall mean the date of delivery of the Notes to the Original Purchaser and the funding of the Loan by the Trustee;
- "Fiscal Year" shall mean the twelve months' period beginning on July 1 of each year and ending on the last day of June of the following year, or any other consecutive twelve-month period adopted by the Governing Body or by law as the official accounting period of the System; provided, that the requirements of a fiscal year as expressed in this Resolution shall exclude any payment of principal or interest falling due on the first day of the fiscal year and include any payment of principal or interest falling due on the first day of the succeeding fiscal year;
- "Governing Body" shall mean the Board of Water, Electric and Communications Trustees of the City of Muscatine, Iowa or its successor in function with respect to the operation and control of the System;
- "Independent Auditor" shall mean an independent firm of certified public accountants or the Auditor of State;
- "Issuer", and "City" shall mean the City of Muscatine, Iowa, by and through its Board of Water, Electric and Communications Trustees;
- "Loan" shall mean the principal amount allocated by the Original Purchaser to the Issuer under the Program, equal in amount to the principal amount of the Notes;
- "Net Revenues" shall mean gross earnings of the System after deduction of Current Expenses; "Current Expenses" shall mean and include the reasonable and necessary cost of operating, maintaining, repairing and insuring the System, including purchases at wholesale, if any, salaries, wages, and costs of materials and supplies, but excluding depreciation and principal of and interest on the Notes and any Parity Obligations or payments to the various funds established herein; capital costs, depreciation and interest or principal payments are not System expenses;
- "Notes" or "Note" shall mean up to \$494,000 Water Revenue Capital Loan Notes, Series 2009, authorized to be issued by this Resolution;
- "Original Purchaser" shall mean the Iowa Finance Authority, as the purchaser of the Notes from Issuer at the time of their original issuance;
- "Parity Obligations" shall mean notes or bonds payable solely from the Net Revenues of the System on an equal basis with the Notes herein authorized to be issued and shall include Additional Bonds as authorized to be issued under the terms of this Resolution;

- "Paying Agent" shall be the Treasurer, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein as Issuer's agent to provide for the payment of principal of and interest on the Notes as the same shall become due;
- "Permitted Investments" shall mean any investments permitted in Iowa Code chapter 12B or section 12C.9. All interim investments must mature before the date on which the moneys are required for payment of principal and interest on the Notes or project costs;
- "Program" shall mean the Iowa Drinking Water State Revolving Fund Program undertaken by the Original Purchaser;
- "Project" shall mean the costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping of the System, including improvements and extensions to the municipal water system, including installation of variable frequency drives to increase efficiency;
- "Project Fund" shall mean the Loan Account maintained by the Trustee under the Program for the benefit of the Issuer, into which the proceeds of the Loan and the Notes shall be allocated and held until disbursed to pay Project costs;
- "Rebate Fund" shall mean the fund so defined in and established pursuant to the Tax Exemption Certificate;
- "Registrar" shall be the Treasurer, or such successor as may be approved by Issuer as provided herein and who shall carry out the duties prescribed herein with respect to maintaining a register of the owners of the Notes. Unless otherwise specified, the Registrar shall also act as Transfer Agent for the Notes;
- "Seal" shall mean the official seal of Issuer adopted by the Governing Body;
- "Secretary" shall mean the Secretary of the Governing Body, or such other officer of the successor Governing Body as shall be charged with substantially the same duties and responsibilities;
- "System" shall mean the municipal water utility of the Issuer and all properties of every nature hereinafter owned by the Issuer comprising part of or used as a part of the System, including all water treatment facilities, storage facilities, pumping stations and all related property and improvements and extensions made by Issuer while any of the Notes or Parity Obligations remain outstanding; all real and personal property; and all appurtenances, contracts, leases, franchises and other intangibles;
- "Tax Exemption Certificate" shall mean the Tax Exemption Certificate executed by the Treasurer and delivered at the time of issuance and delivery of the Notes; and
- "Treasurer" shall mean the Director of Finance and Administrative Services, or such other officer as shall succeed to the same duties and responsibilities with respect to the recording and payment of the Notes issued hereunder.

- "Trustee" shall mean Wells Fargo Bank, National Association, with its principal office located in the City of Des Moines, Iowa, and its successors and any corporation resulting from or surviving any consolidation or merger to which it or its successors may be a party and any successor trustee under the Program.
- "Yield Restricted" shall mean required to be invested at a yield that is not materially higher than the yield on the Notes under Section 148(a) of the Internal Revenue Code or regulations issued there under.

Section 2. Authority. The Agreements and the Notes authorized by this Resolution shall be issued pursuant to Section 384.83 of the Code of Iowa, and in compliance with all applicable provisions of the Constitution and laws of the State of Iowa. The Agreements shall be substantially in the form attached to this Resolution and are authorized to be executed and issued on behalf of the Issuer by the Chairperson and attested by the Secretary.

Section 3. Authorization and Purpose. There are hereby authorized to be issued, negotiable, serial, fully registered Revenue Notes of the City, each to be designated as "Water Revenue Capital Loan Note, Series 2009", in the aggregate amount of up to \$494,000, for the purpose of paying costs of the Project. The Governing Body, pursuant to Section 384.83 of the Code of Iowa, hereby finds and determines that it is necessary and advisable to issue said Notes authorized by the Agreements and this Resolution.

Section 4. Source of Payment. The Notes herein authorized and Parity Obligations and the interest thereon shall be payable solely and only out of the net earnings of the System and shall be a first lien on the future Net Revenues of the System. The Notes shall not be general obligations of the Issuer nor shall they be payable in any manner by taxation and the Issuer shall be in no manner liable by reason of the failure of the said Net Revenues to be sufficient for the payment of the Notes.

Section 5. Note Details. Water Revenue Capital Loan Notes, Series 2009, of the Issuer in the amount of up to \$494,000, shall be issued to evidence the obligations of the Issuer under the Agreements pursuant to the provisions of Section 384.83 of the Code of Iowa for the aforesaid purpose. The Notes shall be designated "WATER REVENUE CAPITAL LOAN NOTE, SERIES 2009", be dated the date of delivery, and bear interest at the rate of 3.0% per annum from the date of each advancement made under the Agreements, until payment thereof, at the office of the Paying Agent, said interest payable on December 1, 2009, and semi-annually thereafter on the 1st day of June and December in each year until maturity as set forth on the Debt Service Schedules attached to the Agreements as Exhibit A and incorporated herein by this reference. As set forth on said Debt Service, principal shall be payable on June 1, 2011 and annually thereafter on the 1st day of June in the amounts set forth therein until principal and interest are fully paid, except that the final installment of the entire balance of principal and interest, if not sooner paid, shall become due and payable on June 1, 2020.

Notwithstanding the foregoing or any other provision hereof, principal and interest shall be payable as shown on said Debt Service Schedules until completion of the Project, at which time the final Debt Service Schedules shall be determined by the Trustee based upon actual advancements, final costs and completion of the Project, all as provided in the

administrative rules governing the Program. Payment of principal and interest on the Notes shall at all times conform to said Debt Service Schedules and the rules of the Program.

The Notes shall be executed by the manual or facsimile signature of the Chairperson and attested by the manual or facsimile signature of the Secretary, and impressed or imprinted with the seal of the Issuer and shall be fully registered as to both principal and interest as provided in this Resolution; principal, interest and premium, if any, shall be payable at the office of the Paying Agent by mailing of a check, wire transfer or automated clearing house system transfer to the registered owner of the Notes. The Notes may be in the denomination of \$1,000 or multiples thereof and shall at the request of the Original Purchaser be initially issued in Notes numbered R-1 (Non-Forgivable Notes) and R-2 (Forgivable Note), in the amounts reflected in the Loan Agreements, not to exceed \$494,000 in the aggregate.

Section 6. Initiation Fee and Servicing Fee. In addition to the payment of principal of and interest on the Notes, the Issuer also agrees to pay the Initiation Fee and the Servicing Fee as defined and in accordance with the terms of the Agreements.

Section 7. Forgivable Loan. Notwithstanding sections 5 and 6 to the contrary, with regard to Note R-2, provided that the Issuer proceeds with diligence to completion of the Project and complies with all applicable ARRA requirements as fully set forth in section 14 of the Forgivable Loan and Disbursement Agreement (the "Forgivable Loan"), (i) no payments of interest, principal, Servicing Fee or Initiation Fee shall be due under the Forgivable Loan during construction of the Project and (ii) following completion of the Project and receipt by the Iowa Finance Authority of a certificate of completion from the Issuer, the Forgivable Loan shall be forgiven, in full, by the Iowa Finance Authority, and no payments of principal or interest shall be due under the Forgivable Loan and Disbursement Agreement.

Section 8. Redemption. The Notes are subject to optional redemption at a price of par plus accrued interest (i) on any date upon receipt of written consent of the Original Purchaser or (ii) in the event that all or substantially all of the Project is damaged or destroyed. Any optional redemption of the Notes may be made from any funds regardless of source, in whole or from time to time in part, in inverse order of maturity, by giving not less than thirty (30) days notice of redemption by certified or registered mail to the Original Purchaser (or any other registered owner of the Notes). The terms of redemption shall be par, plus accrued interest to date of call. The Notes are also subject to mandatory redemption as set forth in Section 5 of the Agreements.

Section 9. Registration of Notes; Appointment of Registrar; Transfer; Ownership; Delivery; and Cancellation.

(a) Registration. The ownership of Notes may be transferred only by the making of an entry upon the books kept for the registration and transfer of ownership of the Notes, and in no other way. The Treasurer is hereby appointed as Note Registrar under the terms of this Resolution. Registrar shall maintain the books of the Issuer for the registration of ownership of the Notes for the payment of principal of and interest on the Notes as provided in this Resolution. All Notes shall be negotiable as provided in Article 8 of the Uniform Commercial Code subject to the provisions for registration and transfer contained in the Notes and in this Resolution.

(b) Transfer. The ownership of any Note may be transferred only upon the Registration Books kept for the registration and transfer of Notes and only upon surrender thereof at the office of the Registrar together with an assignment duly executed by the holder or his duly authorized attorney in fact in such form as shall be satisfactory to the Registrar, along with the address and social security number or federal employer identification number of such transferee (or, if registration is to be made in the name of multiple individuals, of all such transferees). In the event that the address of the registered owner of a Note (other than a registered owner which is the nominee of the broker or dealer in question) is that of a broker or dealer, there must be disclosed on the Registration Books the information pertaining to the registered owner required above. Upon the transfer of any such Note, a new fully registered Note, of any denomination or denominations permitted by this Resolution in aggregate principal amount equal to the unmatured and unredeemed principal amount of such transferred fully registered Note, and bearing interest at the same rate and maturing on the same date or dates shall be delivered by the Registrar.

(c) Registration of Transferred Notes. In all cases of the transfer of the Notes, the Registrar shall register, at the earliest practicable time, on the Registration Books, the Notes, in accordance with the provisions of this Resolution.

(d) Ownership. As to any Note, the person in whose name the ownership of the same shall be registered on the Registration Books of the Registrar shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of or on account of the principal of any such Notes and the premium, if any, and interest thereon shall be made only to or upon the order of the registered owner thereof or his legal representative. All such payments shall be valid and effectual to satisfy and discharge the liability upon such Note, including the interest thereon, to the extent of the sum or sums so paid.

(e) Cancellation. All Notes which have been redeemed shall not be reissued but shall be cancelled by the Registrar. All Notes which are cancelled by the Registrar shall be destroyed and a Certificate of the destruction thereof shall be furnished promptly to the Issuer; provided that if the Issuer shall so direct, the Registrar shall forward the cancelled Notes to the Issuer.

(f) Non-Presentment of Notes. In the event any payment check representing payment of principal of or interest on the Notes is returned to the Paying Agent or if any Note is not presented for payment of principal at the maturity or redemption date, if funds sufficient to pay such principal of or interest on Notes shall have been made available to the Paying Agent for the benefit of the owner thereof, all liability of the Issuer to the owner thereof for such interest or payment of such Notes shall forthwith cease, terminate and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the owner of such Notes who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under this Resolution or on, or with respect to, such interest or Notes. The Paying Agent's obligation to hold such funds shall continue for a period equal to two years and six months following the date on which such interest or principal became due, whether at maturity, or at the date fixed for redemption thereof, or otherwise, at

which time the Paying Agent, shall surrender any remaining funds so held to the Issuer, whereupon any claim under this Resolution by the Owners of such interest or Notes of whatever nature shall be made upon the Issuer.

Section 10. Reissuance of Mutilated, Destroyed, Stolen or Lost Notes. In case any outstanding Note shall become mutilated or be destroyed, stolen or lost, the Issuer shall at the request of Registrar authenticate and deliver a new Note of like tenor and amount as the Note so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Note to Registrar, upon surrender of such mutilated Note, or in lieu of and substitution for the Note destroyed, stolen or lost, upon filing with the Registrar evidence satisfactory to the Registrar and Issuer that such Note has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Registrar and Issuer with satisfactory indemnity and complying with such other reasonable regulations as the Issuer or its agent may prescribe and paying such expenses as the Issuer may incur in connection therewith.

Section 11. Record Date. Payments of principal and interest, otherwise than upon full redemption, made in respect of any Note, shall be made to the registered holder thereof or to their designated Agent as the same appear on the books of the Registrar on the 15th day of the month preceding the payment date. All such payments shall fully discharge the obligations of the Issuer in respect of such Notes to the extent of the payments so made.

Section 12. Execution, Authentication and Delivery of the Notes. Upon the adoption of this Resolution, the Chairperson and Secretary shall execute and deliver the Notes to the Registrar, who shall authenticate the Notes and deliver the same to or upon order of the Original Purchaser. No Note shall be valid or obligatory for any purpose or shall be entitled to any right or benefit hereunder unless the Registrar shall duly endorse and execute on such Note a Certificate of Authentication substantially in the form of the Certificate herein set forth. Such Certificate upon any Note executed on behalf of the Issuer shall be conclusive evidence that the Note so authenticated has been duly issued under this Resolution and that the holder thereof is entitled to the benefits of this Resolution.

Section 13. Right to Name Substitute Paying Agent or Registrar. Issuer reserves the right to name a substitute, successor Registrar or Paying Agent upon giving prompt written notice to each registered note holder.

Section 14. Form of Note. Notes shall be printed in substantial compliance with standards proposed by the American Standards Institute substantially in the form as follows:

| | | | |
|--|---|---|--|
| <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">(6)</div> <div style="border: 1px solid black; padding: 2px;">(7)</div> | | <div style="border: 1px solid black; padding: 2px; margin-bottom: 2px;">(6)</div> <div style="border: 1px solid black; padding: 2px;">(8)</div> | |
| <div style="border: 1px solid black; width: 80%; margin: 0 auto; height: 40px;">(1)</div> | | | |
| <div style="border: 1px solid black; width: 100%; height: 20px;">(2)</div> | <div style="border: 1px solid black; width: 100%; height: 20px;">(3)</div> | <div style="border: 1px solid black; width: 100%; height: 20px;">(4)</div> | <div style="border: 1px solid black; width: 100%; height: 20px;">(5)</div> |
| <div style="border: 1px solid black; width: 80%; margin: 0 auto; height: 40px;">(9)</div> <div style="border: 1px solid black; width: 80%; margin: 0 auto; height: 20px;">(9a)</div> | | | |
| <div style="border: 1px solid black; width: 90%; margin: 0 auto; height: 60px;">(10) (Continued on the back of this Bond)</div> | | | |
| <div style="border: 1px solid black; width: 100%; height: 20px;">(11)(12)(13)</div> | <div style="border: 1px solid black; width: 100%; height: 20px;">(14)</div> | <div style="border: 1px solid black; width: 100%; height: 20px;">(15)</div> | |

FIGURE 1
(Front)

| | | |
|---------------------|--|------|
| (10) (Continued) | | (16) |
| FIGURE 2 (Back) | | |

The text of the Notes to be located thereon at the item numbers shown shall be as follows:

Item 1, figure 1 = "STATE OF IOWA"
"COUNTY OF MUSCATINE"
"CITY OF MUSCATINE"
"WATER REVENUE CAPITAL LOAN NOTE"
"SERIES 2009"

Item 2, figure 1 = Rate: 3.0%

Item 3, figure 1 = Final Maturity: June 1, 2020

Item 4, figure 1 = Note Date: _____

Item 5, figure 1 = _____

Item 6, figure 1 = "Registered"

Item 7, figure 1 = Certificate No. R-____

Item 8, figure 1 = Principal Amount: \$_____

Item 9, figure 1 = The City of Muscatine, Iowa, by and through its Board of Water, Electric and Communications Trustees, a municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of Iowa (the "Issuer"), for value received, promises to pay from the source and as hereinafter provided, to

IOWA FINANCE AUTHORITY

Item 10, figure 1 = or registered assigns, the principal sum of (principal amount written out) in lawful money of the United States of America, on the maturity dates and in the principal amounts set forth on the Debt Service Schedule attached hereto and incorporated herein by this reference, with interest on said sum from the date of each advancement made under a certain Loan and Disbursement Agreement [*Option for Note R-2: Forgivable Loan and Disbursement Agreement*], dated as of the date hereof until paid at the rate of 3.0% per annum, payable on December 1, 2009, and semi-annually thereafter on the 1st day of June and December in each year. As set forth on said Debt Service Schedule, principal shall be payable on June 1, 2011 and annually thereafter on the first day of June in the amounts set forth therein until principal and interest are fully paid, except that the final installment of the entire balance of principal and interest, if not sooner paid, shall become due and payable on June 1, 2020. Notwithstanding the foregoing or any other provision hereof, principal and interest shall be payable as shown on said Debt Service Schedule until completion of the Project, at which time the final Debt Service Schedule shall be determined by the Trustee and attached hereto based upon actual advancements, final costs and completion of the Project, all as provided in the administrative rules governing the Iowa Drinking Water State Revolving Fund Program. Payment of principal and interest of this Note shall at all times conform to said Debt Service Schedule and the rules of the Drinking Water State Revolving Fund Program.

Interest and principal shall be paid to the registered holder of the Note as shown on the records of ownership maintained by the Registrar as of the 15th day of the month next preceding such interest payment date. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

This Note is issued pursuant to the provisions of Section 384.83 of the Code of Iowa, for the purpose of paying costs of acquisition, construction, reconstruction, extending, remodeling, improving, repairing and equipping all or part of the System, including improvements and extensions to the municipal water system, including installation of variable frequency drives to increase efficiency, and evidences amounts payable under a certain Loan and Disbursement Agreement [*Option for Note R-2: Forgivable Loan and Disbursement Agreement*], dated as of the date hereof, in conformity to a Resolution of the Board of Water, Electric and Communications Trustees of the City of Muscatine, Iowa, duly passed and approved. For a complete statement of the revenues and funds from which and the conditions under which this Note is payable, a statement of the conditions under which additional notes or bonds of equal standing may be issued, and the general covenants and provisions pursuant to which this Note is issued, reference is made to the above-described Loan and Disbursement Agreement and Resolution.

This Note is subject to optional redemption at a price of par plus accrued interest (i) on any date upon receipt of written consent of the Iowa Finance Authority or (ii) in the event that all or substantially all of the Project is damaged or destroyed. Any optional redemption of this Note may be made from any funds regardless of source, in whole or from time to time in part, in inverse order of maturity, by lot by giving thirty (30) days notice of redemption by certified or registered mail, to the Iowa Finance Authority (or any other registered owner of the Note). This Note is also subject to mandatory redemption as set forth in Section 5 of the Agreement.

Ownership of this Note may be transferred only by transfer upon the books kept for such purpose by the Treasurer, the Registrar. Such transfer on the books shall occur only upon presentation and surrender of this Note at the office of the Registrar, together with an assignment duly executed by the owner hereof or his duly authorized attorney in the form as shall be satisfactory to the Registrar. Issuer reserves the right to substitute the Registrar and Paying Agent but shall, however, promptly give notice to registered Note holders of such change. All Notes shall be negotiable as provided in Article 8 of the Uniform Commercial Code and subject to the provisions for registration and transfer contained in the Note Resolution.

This Note and the series of which it forms a part, and any additional obligations which may be hereafter issued and outstanding from time to time on a parity with said Notes, as provided in the Resolution and Loan and Disbursement Agreements of which notice is hereby given and which are hereby made a part hereof, are payable from and secured by a pledge of the net revenues of the municipal water utility (the "System"), as defined and provided in said Resolution. There has heretofore been established and the Issuer covenants and agrees that it will maintain just and equitable rates or charges for the use of and service rendered by said System in each year for the payment of the proper and reasonable expenses of operation and maintenance of said System and for the establishment of a sufficient sinking fund to meet the principal of and interest on this series of Notes, and other obligations ranking on a parity therewith, as the same become due. This Note is not

payable in any manner by taxation and under no circumstances shall the Issuer be in any manner liable by reason of the failure of said net earnings to be sufficient for the payment hereof.

And it is hereby represented and certified that all acts, conditions and things requisite, according to the laws and Constitution of the State of Iowa, to exist, to be had, to be done, or to be performed precedent to the lawful issue of this Note, have been existent, had, done and performed as required by law.

IN TESTIMONY WHEREOF, said City, by and through its Board of Water, Electric and Communications Trustees, has caused this Note to be signed by the manual or facsimile signature of its Chairperson and attested by the manual or facsimile signature of its Secretary, with the seal of said Issuer impressed hereon, and authenticated by the manual or facsimile signature of an authorized representative of the Registrar, the Treasurer, Iowa, all as of the _____ day of _____, 2009.

Item 11, figure 1 = Date of Authentication:

Item 12, figure 1 = This is one of the Notes described in the within mentioned Resolution, as registered by the Treasurer.

TREASURER

By: _____
Registrar

Item 13, figure 1 = Registrar and Transfer Agent: Treasurer
Paying Agent: Treasurer

Item 14, figure 1 = (Seal)

Item 15, figure 1 = [Signature Block]

City of Muscatine, by and through its Board of Water,

By: _____ (manual or facsimile signature)
Chairperson of the Board of Water, Electric and

Attest: _____ (manual or facsimile signature)
Secretary of the Board of Water, Electric and Communications
Trustees, City of Muscatine, Iowa

Item 17, figure 2 = [Assignment Block]
[Information Required for Registration]

ASSIGNMENT

For value received, the undersigned hereby sells, assigns and transfers unto _____ (Social Security or Tax Identification No. _____) the within Note and does hereby irrevocably constitute and appoint _____ attorney in fact to transfer the said Note on the books kept for registration of the within Note, with full power of substitution in the premises.

Dated: _____

(Person(s) executing this Assignment sign(s) here)

SIGNATURE)
GUARANTEED) _____

IMPORTANT - READ CAREFULLY

The signature(s) to this Power must correspond with the name(s) as written upon the face of the Certificate(s) or Note(s) in every particular without alteration or enlargement or any change whatever. Signature guarantee must be provided in accordance with the prevailing standards and procedures of the Registrar and Transfer Agent. Such standards and procedures may require signature to be guaranteed by certain eligible guarantor institutions that participate in a recognized signature guarantee program.

INFORMATION REQUIRED FOR REGISTRATION OF TRANSFER

Name of Transferee(s) _____

Address of Transferee(s) _____

Social Security or Tax

Identification Number of

Transferee(s) _____

Transferee is a (n):

Individual* _____ Corporation _____

Partnership _____ Trust _____

*If the Note is to be registered in the names of multiple individual owners, the names of all such owners and one address and social security number must be provided.

The following abbreviations, when used in the inscription on the face of this Note, shall be construed as though written out in full according to applicable laws or regulations:

TEN COM - as tenants in common
TEN ENT - as tenants by the entireties
JT TEN - as joint tenants with right of survivorship and not as tenants in common

IA UNIF TRANS MIN ACT -Custodian.....
(Cust) (Minor)
under Iowa Uniform Transfers
to Minors Act.....
(State)

Section 15. Equality of Lien. The timely payment of principal of and interest on the Notes and Parity Obligations shall be secured equally and ratably by the revenues of the System without priority by reason of number or time of sale or delivery; and the revenues of the System are hereby irrevocably pledged to the timely payment of both principal and interest as the same become due.

Section 16. Application of Note Proceeds - Project Fund. Proceeds of the Notes shall be credited to the Project Fund and expended there from for the purposes of issuance. Any amounts on hand in the Project Fund shall be available for the payment of the principal of or interest on the Notes at any time that other funds of the System shall be insufficient to the purpose, in which event such funds shall be repaid to the Project Fund at the earliest opportunity. Any balance on hand in the Project Fund and not immediately required for its purposes may be invested not inconsistent with limitations provided by law, the Internal Revenue Code and this Resolution.

Section 17. User Rates. There has heretofore been established and published as required by law, just and equitable rates or charges for the use of the service rendered by the System. Said rates or charges shall be paid by the owner of each and every lot, parcel of real estate, or building that is connected with and uses the System, by or through any part of the System or that in any way uses or is served by the System.

Any revenue paid and collected for the use of the System and its services by the Issuer or any department, agency or instrumentality of the Issuer shall be used and accounted for in the same manner as any other revenues derived from the operations of the System.

Section 18. Application of Revenues. From and after the delivery of any Notes, and as long as any of the Notes or Parity Obligations shall be outstanding and unpaid either as to principal or as to interest, or until all of the Notes and Parity Obligations then outstanding shall have been discharged and satisfied in the manner provided in this Resolution, the entire income and revenues of the System shall be deposited as collected in a fund to be known as the Water Revenue Fund (the "Revenue Fund"), and shall be disbursed only as follows:

- Operation and Maintenance Fund. Money in the Revenue Fund shall first be disbursed to make deposits into a separate and special fund to pay current expenses. The fund shall be known as the Water Utility Operation and Maintenance Fund (the "Operation and Maintenance Fund"). There shall be

deposited in the Operation and Maintenance Fund each month an amount sufficient to meet the current expenses of the month plus an amount equal to 1/12th of expenses payable on an annual basis such as insurance. After the first day of the month, further deposits may be made to this account from the Revenue Fund to the extent necessary to pay current expenses accrued and payable to the extent that funds are not available in the Surplus Fund.

- Sinking Fund. Money in the Revenue Fund shall next be disbursed to make deposits into a separate and special fund to pay principal of and interest on the Notes and Parity Obligations. The fund shall be known as the Water Revenue Note Principal and Interest Sinking Fund (the "Sinking Fund"). The required amount to be deposited in the Sinking Fund in any month shall be an amount equal to 1/6th of the installment of interest coming due on the next interest payment date on the then outstanding Notes and Parity Obligations, plus 1/12th of the installment of principal coming due on such Notes on the next succeeding principal payment date until the full amount of such installment is on hand. If for any reason the amount on hand in the Sinking Fund exceeds the required amount, the excess shall forthwith be withdrawn and paid into the Revenue Fund. Money in the Sinking Fund shall be used solely for the purpose of paying principal of and interest on the Notes and Parity Obligations as the same shall become due and payable.
- Subordinate Obligations. Money in the Revenue Fund may next be used to pay principal of and interest on (including reasonable reserves therefore) any other obligations which by their terms shall be payable from the revenues of the System, but subordinate to the Notes and Parity Obligations, and which have been issued for the purposes of extensions and improvements to the System or to retire the Notes or Parity Obligations in advance of maturity, or to pay for extraordinary repairs or replacements to the System.
- Surplus Revenue. All money thereafter remaining in the Revenue Fund at the close of each month may be deposited in any of the funds created by this Resolution, to pay for extraordinary repairs or replacements to the System, or may be used to pay or redeem the Notes or Parity Obligations, any of them, or for any lawful purpose.

Money in the Revenue Fund shall be allotted and paid into the various funds and accounts hereinbefore referred to in the order in which said funds are listed, on a cumulative basis on the 10th day of each month, or on the next succeeding business day when the 10th shall not be a business day; and if in any month the money in the Revenue Fund shall be insufficient to deposit or transfer the required amount in any of said funds or accounts, the deficiency shall be made up in the following month or months after payments into all funds and accounts enjoying a prior claim to the revenues shall have been met in full.

Section 19. Investments. Moneys on hand in the Project Fund and all of the funds provided by this Resolution may be invested only in Permitted Investments or deposited in financial institutions which are members of the Federal Deposit Insurance Corporation, or its equivalent successor, and the deposits of which are insured thereby and all such deposits exceeding the maximum amount insured from time to time by FDIC or its equivalent

successor in any one financial institution shall be continuously secured in compliance with the State Sinking Fund provided under Iowa Code chapter 12C, or otherwise by a valid pledge of direct obligations of the United States Government having an equivalent market value. All investments shall mature before the date on which the moneys are required for the purposes for which the fund was created or otherwise as herein provided. The provisions of this Section shall not be construed to require the Issuer to maintain separate accounts for the funds created by this Section.

The Sinking Fund shall be segregated in a separate account but may be invested in the same manner as other funds of the Issuer but designated as a trust fund on the books and records of the Issuer. The Sinking Fund shall not be available for any other purposes other than those specified in this Resolution.

All income derived from such investments (excluding any mark to market adjustments) shall be deposited in the Revenue Fund and shall be regarded as revenues of the System. Investments shall at any time necessary be liquidated and the proceeds thereof applied to the purpose for which the respective fund was created.

Section 20. Covenants Regarding the Operation of the System. The Issuer hereby covenants and agrees with each and every holder of the Notes and Parity Obligations:

(a) Maintenance and Efficiency. The Issuer will maintain the System in good condition and operate it in an efficient manner and at reasonable cost.

(b) Sufficiency of Rates. On or before the beginning of each Fiscal Year the Governing Body will adopt or continue in effect rates for all services rendered by the System determined to be sufficient to produce Net Revenues for the next succeeding Fiscal Year which are (i) adequate to pay the principal and interest requirements thereof and to create or maintain the reserves as provided in this Resolution, and (ii) not less than 110 percent of the principal and interest requirements of the next succeeding Fiscal Year. No free use of the System by the Issuer or any department, agency or instrumentality of the Issuer shall be permitted except upon the determination of the Governing Body that the rates and changes otherwise in effect are sufficient to provide Net Revenues at least equal to the requirements of this subsection.

(c) Insurance. The Issuer shall maintain insurance for the benefit of the Note holders on the insurable portions of the System of a kind and in an amount which normally would be carried by private companies engaged in a similar kind of business. The proceeds of any insurance, except public liability insurance, shall be used to repair or replace the part or parts of the System damaged or destroyed, or if not so used shall be placed in an improvement fund for the benefit of the System.

(d) Accounting and Audits. The Issuer will cause to be kept proper books and accounts adapted to the System and in accordance with generally accepted accounting practices and will diligently act to cause the books and accounts to be audited and reported upon by an Independent Auditor and will provide copies of the audit report to the Department, all as provided in the Agreement. The Original Purchaser and holders of any of the Notes and Parity Obligations shall have at all

reasonable times the right to inspect the System and the records, accounts and data of the Issuer relating thereto.

(e) State Laws. The Issuer will faithfully and punctually perform all duties with reference to the System required by the Constitution and laws of the State of Iowa, including the making and collecting of reasonable and sufficient rates for services rendered by the System as above provided, and will segregate the revenues of the System and apply said revenues to the funds specified in this Resolution.

(f) Property. The Issuer will not sell, lease, mortgage or in any manner dispose of the System, or any capital part thereof, including any and all extensions and additions that may be made thereto, until satisfaction and discharge of all of the Notes and Parity Obligations shall have been provided for in the manner provided in this Resolution; provided, however, this covenant shall not be construed to prevent the disposal by the Issuer of property which in the judgment of its Governing Body has become inexpedient or unprofitable to use in connection with the System, or if it is to the advantage of the System that other property of equal or higher value be substituted therefore, and provided further that the proceeds of the disposition of such property shall be placed in a revolving fund to be used in preference to other sources for capital improvements to the System. Any such proceeds of the disposition of property acquired with the proceeds of the Notes or Parity Obligations shall not be used to pay principal or interest on the Notes and Parity Obligations or for payments into the Sinking Fund.

(g) Fidelity Bond. That the Issuer shall maintain fidelity bond coverage in amounts which normally would be carried by private companies engaged in a similar kind of business on each officer or employee having custody of funds of the System.

(h) Additional Charges. The Issuer will require proper connecting charges and/or other security for the payment of service charges.

(i) Budget. The Governing Body of the Issuer shall approve and conduct operations pursuant to a system budget of revenues and current expenses for each Fiscal Year. Such budget shall take into account revenues and current expenses during the current and last preceding Fiscal Years. Copies of such budget and any amendments thereto shall be mailed to the Original Purchaser and to the Note holders upon request.

(j) Loan and Disbursement Agreements. The Issuer will comply with the terms and conditions of the Loan and Disbursement Agreement and the Forgivable Loan and Disbursement Agreement and perform as provided there under.

Section 21. Remedies of Note holders. Except as herein expressly limited the holder or holders of the Notes and Parity Obligations shall have and possess all the rights of action and remedies afforded by the common law, the Constitution and statutes of the State of Iowa, and of the United States of America, for the enforcement of payment of their Notes and interest thereon, and of the pledge of the revenues made hereunder, and of all covenants of the Issuer hereunder.

Section 22. Prior Lien and Parity Obligations. The Issuer will issue no other notes, bonds or obligations of any kind or nature payable from or enjoying a lien or claim on the property or revenues of the System having priority over the Notes or Parity Obligations.

Additional Bonds may be issued on a parity and equality of rank with the Notes with respect to the lien and claim of such additional obligations to the revenues of the System and the money on deposit in the funds adopted by this Resolution, for the following purposes and under the following conditions, but not otherwise:

(a) For the purpose of refunding any of the Notes or Parity Obligations which shall have matured or which shall mature not later than three months after the date of delivery of such refunding obligation and for the payment of which there shall be insufficient money in the Sinking Fund;

(b) For the purpose of making extensions, additions, improvements or replacements to the System, or refunding any outstanding Notes, Parity Obligations or other obligations issued for such extensions, additions and improvements, if all of the following conditions shall have been met:

(i) before any such Additional Bonds ranking on a parity are issued, there will have been procured and filed with the Secretary, a statement of an Independent Auditor or independent financial consultant or a Consulting Engineer, not a regular employee of the Issuer, reciting the opinion based upon necessary investigations that the Net Revenues of the System for the preceding Fiscal Year (with adjustments as hereinafter provided) were equal to at least 1.10 times the maximum amount that will be required in any Fiscal Year prior to the longest maturity of any of the then outstanding Notes or Parity Obligations for both principal of and interest on all Notes or Parity Obligations then outstanding which are payable from the net earnings of the System and the Additional Bonds then proposed to be issued.

For the purpose of determining the Net Revenues of the System for the preceding Fiscal Year as aforesaid, the amount of the gross revenues for such year may be adjusted by an the Independent Auditor or independent financial consultant or a Consulting Engineer, so as to reflect any changes in the amount of such revenues which would have resulted had any revision of the schedule of rates or charges imposed at or prior to the time of the issuance of any such Additional Bonds been in effect during all of such preceding Fiscal Year.

(ii) the Additional Bonds must be payable as to principal and as to interest on the same month and day as the Notes herein authorized

(iii) For the purposes of this Section, principal and interest falling due on the first day of a Fiscal Year shall be deemed a requirement of the immediately preceding Fiscal Year.

(iv) For the purposes of this Section, general obligation bonds or notes shall be refunded only upon a finding of necessity by the Governing

Body and only to the extent the general obligation bonds or notes were issued or the proceeds thereof were expended for the System.

(v) for purposes of this Section, "preceding Fiscal Year" shall be the most recently completed Fiscal Year for which audited financial statements prepared by a certified public accountant are issued and available, but in no event a Fiscal Year which ended more than eighteen months prior to the date of issuance of the Additional Bonds.

Section 23. Disposition of Proceeds; Arbitrage Not Permitted. The Issuer reasonably expects and covenants that no use will be made of the proceeds from the issuance and sale of the Notes issued hereunder which will cause any of the Notes to be classified as arbitrage bonds within the meaning of Section 148(a) and (b) of the Internal Revenue Code of the United States, and that throughout the term of said Notes it will comply with the requirements of said statute and regulations issued there under.

To the best knowledge and belief of the Issuer, there are no facts or circumstances that would materially change the foregoing statements or the conclusion that it is not expected that the proceeds of the Notes will be used in a manner that would cause the Notes to be arbitrage bonds. Without limiting the generality of the foregoing, the Issuer hereby agrees to comply with the provisions of the Tax Exemption Certificate and the provisions of the Tax Exemption Certificate are hereby incorporated by reference as part of this Resolution. The Treasurer is hereby directed to make and insert all calculations and determinations necessary to complete the Tax Exemption Certificate in all respects and to execute and deliver the Tax Exemption Certificate at issuance of the Notes to certify as to the reasonable expectations and covenants of the Issuer at that date.

The Issuer covenants that it will treat as Yield Restricted any proceeds of the Notes remaining unexpended after three years from the issuance and any other funds required by the Tax Exemption Certificate to be so treated. If any investments are held with respect to the Notes and Parity Obligations, the Issuer shall treat the same for the purpose of restricted yield as held in proportion to the original principal amounts of each issue.

The Issuer covenants that it will exceed any investment yield restriction provided in this Resolution only in the event that it shall first obtain an opinion of recognized bond counsel that the proposed investment action will not cause the Notes to be classified as arbitrage bonds under Section 148(a) and (b) the Internal Revenue Code or regulations issued there under.

The Issuer covenants that it will proceed with due diligence to spend the proceeds of the Notes for the purpose set forth in this Resolution. The Issuer further covenants that it will make no change in the use of the proceeds available for the construction of facilities or change in the use of any portion of the facilities constructed there from by persons other than the Issuer or the general public unless it has obtained an opinion of bond counsel or a revenue ruling that the proposed project or use will not be of such character as to cause interest on any of the Notes not to be exempt from federal income taxes in the hands of holders other than substantial users of the project, under the provisions of Section 142(a) of the Internal Revenue Code of the United States, related statutes and regulations.

Section 24. Additional Covenants, Representations and Warranties of the Issuer. The Issuer certifies and covenants with the purchasers and holders of the Notes from time to time outstanding that the Issuer through its officers, (a) will make such further specific covenants, representations and assurances as may be necessary or advisable; (b) comply with all representations, covenants and assurances contained in the Tax Exemption Certificate, which Tax Exemption Certificate shall constitute a part of the contract between the Issuer and the owners of the Notes; (c) consult with bond counsel (as defined in the Tax Exemption Certificate); (d) pay to the United States, as necessary, such sums of money representing required rebates of excess arbitrage profits relating to the Notes; (e) file such forms, statements and supporting documents as may be required and in a timely manner; and (f) if deemed necessary or advisable by its officers, to employ and pay fiscal agents, financial advisors, attorneys and other persons to assist the Issuer in such compliance

Section 25. Amendment of Resolution to Maintain Tax Exemption. This Resolution may be amended without the consent of any owner of the Notes if, in the opinion of bond counsel, such amendment is necessary to maintain tax exemption with respect to the Notes under applicable Federal law or regulations.

Section 26. Qualified Tax-Exempt Obligations. For the sole purpose of qualifying the Note as "Qualified Tax-Exempt Obligations" pursuant to Section 265(b) of the Internal Revenue Code of the United States, as amended, the Issuer designates the Note as qualified tax-exempt obligations and represents that the reasonably anticipated amount of tax-exempt governmental obligations which will be issued during the current calendar year will not exceed Thirty (30) Million Dollars.

Section 27. Discharge and Satisfaction of Notes. The covenants, liens and pledges entered into, created or imposed pursuant to this Resolution may be fully discharged and satisfied with respect to the Notes and Parity Obligations, or any of them, in any one or more of the following ways:

(a) By paying the Notes or Parity Obligations when the same shall become due and payable; and

(b) By depositing in trust with the Treasurer, or with a corporate trustee designated by the Governing Body, for the payment of said obligations and irrevocably appropriated exclusively to that purpose an amount in cash or direct obligations of the United States the maturities and income of which shall be sufficient to retire at maturity, or by redemption prior to maturity on a designated date upon which said obligations may be redeemed, all of such obligations outstanding at the time, together with the interest thereon to maturity or to the designated redemption date, premiums thereon, if any that may be payable on the redemption of the same; provided that proper notice of redemption of all such obligations to be redeemed shall have been previously published or provisions shall have been made for such publication.

Upon such payment or deposit of money or securities, or both, in the amount and manner provided by this Section, all liability of the Issuer with respect to the Notes or Obligations shall cease, determine and be completely discharged, and the holders thereof shall be entitled only to payment out of the money or securities so deposited.

Section 28. Resolution a Contract. The provisions of this Resolution shall constitute a contract between the Issuer and the holder or holders of the Notes and Parity Obligations, and after the issuance of any of the Notes no change, variation or alteration of any kind in the provisions of this Resolution shall be made in any manner, except as provided in the next succeeding Section, until such time as all of the Notes and Parity Obligations, and interest due thereon, shall have been satisfied and discharged as provided in this Resolution.

Section 29. Amendment of Resolution Without Consent. The Issuer may, without the consent of or notice to any of the holders of the Notes and Parity Obligations, amend or supplement this Resolution for any one or more of the following purposes:

(a) to cure any ambiguity, defect, omission or inconsistent provision in this Resolution or in the Notes or Parity Obligations; or to comply with any applicable provision of law or regulation of federal or state agencies; provided, however, that such action shall not materially adversely affect the interests of the holders of the Notes or Parity Obligations;

(b) to change the terms or provisions of this Resolution to the extent necessary to prevent the interest on the Notes or Parity Obligations from being includable within the gross income of the holders thereof for federal income tax purposes;

(c) To grant to or confer upon the holders of the Notes or Parity Obligations any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the holders of the Notes;

(d) to add to the covenants and agreements of the Issuer contained in this Resolution other covenants and agreements of, or conditions or restrictions upon, the Issuer or to surrender or eliminate any right or power reserved to or conferred upon the Issuer in this Resolution; or

(e) To subject to the lien and pledge of this Resolution additional pledged revenues as may be permitted by law.

Section 30. Amendment of Resolution Requiring Consent. This Resolution may be amended from time to time if such amendment shall have been consented to by holders of not less than two-thirds in principal amount of the Notes and Parity Obligations at any time outstanding (not including in any case any Notes which may then be held or owned by or for the account of the Issuer, but including such Refunding Obligations as may have been issued for the purpose of refunding any of such Notes if such Refunding Obligations shall not then be owned by the Issuer); but this Resolution may not be so amended in such manner as to:

(a) Make any change in the maturity or interest rate of the Notes, or modify the terms of payment of principal of or interest on the Notes or any of them or impose any conditions with respect to such payment;

(b) Materially affect the rights of the holders of less than all of the Notes and Parity Obligations then outstanding; and

(c) Reduce the percentage of the principal amount of Notes, the consent of the holders of which is required to effect a further amendment.

Whenever the Issuer shall propose to amend this Resolution under the provisions of this Section, it shall cause notice of the proposed amendment to be filed with the Original Purchaser and to be mailed by certified mail to each registered owner of any Note as shown by the records of the Registrar. Such notice shall set forth the nature of the proposed amendment and shall state that a copy of the proposed amendatory Resolution is on file in the office of the Secretary.

Whenever at any time within one year from the date of the mailing of said notice there shall be filed with the Secretary an instrument or instruments executed by the holders of at least two-thirds in aggregate principal amount of the Notes then outstanding as in this Section defined, which instrument or instruments shall refer to the proposed amendatory Resolution described in said notice and shall specifically consent to and approve the adoption thereof, thereupon, but not otherwise, the Governing Body of the Issuer may adopt such amendatory Resolution and such Resolution shall become effective and binding upon the holders of all of the Notes and Parity Obligations.

Any consent given by the holder of a Note pursuant to the provisions of this Section shall be irrevocable for a period of six months from the date of the instrument evidencing such consent and shall be conclusive and binding upon all future holders of the same Note during such period. Such consent may be revoked at any time after six months from the date of such instrument by the holder who gave such consent or by a successor in title by filing notice of such revocation with the Secretary.

The fact and date of the execution of any instrument under the provisions of this Section may be proved by the certificate of any officer in any jurisdiction who by the laws thereof is authorized to take acknowledgments of deeds within such jurisdiction that the person signing such instrument acknowledged before him the execution thereof, or may be proved by an affidavit of a witness to such execution sworn to before such officer.

The amount and numbers of the Notes held by any person executing such instrument and the date of his holding the same may be proved by an affidavit by such person or by a certificate executed by an officer of a bank or trust company showing that on the date therein mentioned such person had on deposit with such bank or trust company the Notes described in such certificate.

Notwithstanding anything in this Section to the contrary, the holder or holders of 100% of the Notes and Parity Obligations may consent to any amendment of this Resolution, or waive any notices required hereunder, on such terms and under such conditions as said holders shall determine to be appropriate.

Section 31. Severability. If any section, paragraph, or provision of this Resolution shall be held to be invalid or unenforceable for any reason, the invalidity or unenforceability of such section, paragraph or provision shall not affect any of the remaining provisions.

Section 32. Repeal of Conflicting Ordinances or Resolutions and Effective Date. All other Ordinances, Resolutions and orders, or parts thereof, in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed; and this Resolution shall be in effect from and after its adoption.

Section 33. Rule of Construction. This Resolution and the terms and conditions of the Notes authorized hereby shall be construed whenever possible so as not to conflict with the terms and conditions of the Loan and Disbursement Agreement. In the event such construction is not possible, or in the event of any conflict or inconsistency between the terms hereof and those of the Loan and Disbursement Agreement, the terms of the Loan and Disbursement Agreement shall prevail and be given effect to the extent necessary to resolve any such conflict or inconsistency.

Trustee Tubandt moved, seconded by Trustee Axel, that said resolution be passed, approved, and adopted this 25th day of August 2009. On roll call Trustees Axel, Carlson, Heidbreder, Tubandt and Ingstad voted aye. Voting nay, none.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding the recommendation to request the Mayor and City Council to recognize public power by designating the week of October 4-10, 2009 as Public Power Week. Mr. LoBianco stated that this was an opportunity to explain to customers and employees the benefits of public power and to recognize our customers and employees. There are no special events planned for this week. The following resolution was submitted.

RESOLUTION 09-23 NATIONAL PUBLIC POWER WEEK

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa wish to recognize its customers and employees during National Public Power Week; and,

WHEREAS, the citizens of Muscatine are both owners and consumers of Muscatine Power and Water which provides our homes, businesses, farms, and local government agencies with reliable, efficient, and cost-effective electricity, water, and communications services by employing sound business practices designed to ensure the best possible service at the lowest possible rate; now therefore,

BE IT RESOLVED, that the Board of Trustees request that the Mayor and City Council designate the week of October 4-10, 2009 as Public Power Week in Muscatine, in order to honor Muscatine Power and Water, its consumer-owners, and its employees, who work together to provide the best possible electric, water, and communications services; and,

BE IT FURTHER RESOLVED, that Muscatine has joined hands with other public power communities across the nation to celebrate the benefits of a consumer-owned utility for our local and national progress.

Trustee Axel moved, seconded by Trustee Heidbreder, that said resolution be passed, approved, and adopted this 25th day of August 2009. On roll call Trustees Axel, Carlson, Heidbreder, Tubandt and Ingstad voted aye. Voting nay, none.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members about the proposed PURPA Standards for the Board's consideration. The Energy Independence & Security Act (EISA) was signed into law on December 19, 2007. Among the many provisions of this federal legislation were four new Standards added to the Public Utility Regulatory Policies Act of 1978 (PURPA) that Muscatine Power and Water is obligated to consider. These Standards apply to utilities with total annual retail sales greater than 500,000,000 kilowatt-hours, which includes MP&W. The four Standards contained a "requirement for consideration of adoption" to begin by December 19, 2008. The Board of Trustees may decline or adopt the Standards, but must state in writing the reason for its decision prior to December 19, 2009.

Management has completed the directives of the Board provided at the November 2008 Board Meeting. Notice was published in the local newspaper on January 6, 2009 and January 30, 2009 stating the Utility's intent to receive written and oral comments on the four new PURPA Standards: Integrated Resource Planning, Rate Design Modifications to Promote Energy Efficiency Investments, Consideration of Smart Grid Investments, and Smart Grid Information. A public hearing was conducted by MP&W Management on February 3, 2009 to place into the record written comments and to receive oral comments on these Standards. No written or oral comments were received. The court reporter's written record of the public hearing was also included in the Board packet.

Mr. LoBianco introduced Mark Nelson, Chief Operations Engineer, to review each standard.

The first standard Mr. Nelson reviewed was Standard 16: Integrated Resource Planning (IRP). He stated that the Utility's challenge has been to minimize customer rate impacts in light of a substantial capital spending requirement needed to address customer load growth, support government environmental and energy policies, and maintain transmission & distribution reliability. MP&W has been progressive with respect to energy efficiency projects and initiatives and has established a Critical Issue with goals of reducing energy consumption through utility & customer-driven projects and encouraging customers to invest in renewable energy. Mr. Nelson stated that MP&W is leading by example within our community with renewable installations at the A/O Center and as a full-participant in the feasibility study for the Iowa Agency for Municipal Wind (IAMWind) project for larger-scale wind resources (exceeding 100MW). A key component of IRP is load forecasting. MP&W Management completes an annual load forecasting study, which actively seeks input from our key customers to ensure its accuracy. MP&W has also established the Continuous Improvement Program (CIP) & Business Improvement Team (BIT) to solicit employee input for ways & methods to maximize personnel & process efficiencies and demonstrate an overall culture of efficiency. Management believes the above examples demonstrate that MP&W is already fulfilling the objectives of Standard 16, and that this standard should be adopted.

Mr. Nelson next reviewed Standard 17: Rate Design Modifications to Promote Energy Efficiency Investments. In 1981, the Utility was required to consider time-based rates under the PURPA provisions. The Final Order adopted by the Board of Trustees on November 17, 1981 addressed Time of Day, Seasonal, and Interruptible Rates. The position adopted by the Board at that time contemplated very little interest from its customers for those types of rates into the foreseeable future and there has been limited interest expressed

on the part of prospective large industrial customers in interruptible rates. Although the existing rate design will remain as-is for the foreseeable future, all options for encouraging energy efficiency for each customer class will be explored when a rate adjustment is required. Management believes the above demonstrates that MP&W is already fulfilling the objectives of Standard 17, and that this standard should be adopted.

Standard 18: Consideration of Smart Grid Investments was next reviewed by Mr. Nelson. MP&W Management views this Standard as primarily focused at State level action, however, MP&W is willing to consider all initiatives that may result. MP&W Management also views smart grid technology as a major focal point of the American Recovery & Reinvestment Act of 2009 and has been actively evaluating the deployment of smart grid devices whenever necessary. Smart grid devices, Automatic Meter Readers (AMR), have already been deployed at key customer locations. Further, a study is scheduled for 2011 to evaluate the feasibility of a system-wide deployment of AMR technology. Management believes the above demonstrates that MP&W is already fulfilling the objectives of Standard 18, and that this standard should be adopted.

Mr. Nelson next reviewed Standard 19: Smart Grid Information. As stated above, smart grid devices, Automatic Meter Readers (AMR), have been deployed at key customer locations. These devices are providing near real-time energy usage information to the associated customer in web-based, electronic format. MP&W is in the process of joining the Midwest Independent System Operator (MISO). It is anticipated that this membership will enable MP&W to provide its customers with time-based electricity prices in the wholesale electricity market in near real-time, electronic format. Further, MISO establishes day-ahead pricing, which is also anticipated to be available in near real-time, electronic format. Management believes the above demonstrates that MP&W is progressing toward being able to fulfill the objectives of Standard 19, and that this standard should be adopted.

Trustee Axel asked about the federal follow-up process if these Standards were approved and adopted by the Board. Mr. Danz commented that there has not been much follow-up on any of the previous Standards from PURPA, so not much was expected on these. The Standards concerning Smart Grids are still in development, so there is not any follow-up on those right now, but there may need to be as the Standards are more fully developed. Mr. Danz stated that we will continue to evolve with these Standards, just as everyone else does. In the Standards, it states that implementation is to be used where practical, so this gives the Utility a lot of leeway to interpretation.

Trustee Tubandt moved, seconded by Trustee Axel, to adopt the four new PURPA Standards: Integrated Resource Planning, Rate Design Modifications to Promote Energy Efficiency Investments, Consideration of Smart Grid Investments, and Smart Grid Information as recommended by management.

In the General Manager's report Mr. LoBianco reviewed his previously submitted memorandum to all Board members. The first review was about MP&W's participation in the MISO Energy Market. Entrance into this market will occur at midnight August 31st and after entry that all energy needed for our customers will be supplied from the MISO market. While participating in the MISO energy market requires understanding and operating under a complex set of rules, we do not expect significant changes in the way we operate our generation resources. Decisions on which units and at what output levels to operate will be

dictated by our production costs in relation to energy market costs, much the same as they are today. If the energy market clears above our cost to generate, we will sell into the market. If not, units will remain off-line or operate at minimum loads. Operating in this fashion will allow energy to be supplied from the lowest cost provider: either MP&W or the energy market. The Board questioned if there would have been a difference in energy sales if participation had began in this market earlier in the year. Mr. Danz commented that an output analysis that had been done did not show that there would have been much difference, other than transmission capacity may have been more available when we needed it. In the analysis, replacement energy costs were compared at outage times and MP&W would have benefited during outage as replacement costs through MISO were lower than what was paid by the Utility. Mr. Danz emphasized that by joining MISO, we will improve reliability to our customer/owners.

Mr. LoBianco told the Board that the Stimulus Committee, headed up by Mark Nelson and Brandy Dulceak, continues to investigate funding opportunities created by the American Recovery and Reinvestment Act and related state programs. Their ongoing efforts are aimed at matching potential projects to funding sources, making applications, and monitoring agency guidelines. Recently, applications were submitted to the State Energy Program for energy conservation projects, including: CFL Bulb Exchange Program (\$22,143); LED Street Lighting (\$1,683,391); Power Plant & Customer Lighting Improvements (\$191,470); and MP&W Renewable Energy Installations (\$44,237). MP&W's Energy Services Advisors assisted this effort by soliciting commercial customers to participate in joint applications for lighting improvements. Unfortunately, many were unable to participate in making joint applications at this time due to financial constraints. The team is also exploring broadband funding opportunities, but qualifying for those dollars may be challenging due to program restrictions and qualifying criteria. In the coming weeks, the Utility expects to submit applications for the Department of Energy's Community Renewable Energy Deployment opportunity, the State's Energy Efficiency and Conservation Block Grant program, and DOE's Local Energy Assurance Planning Initiative (for reliability and disruption recovery initiatives).

This concluded the General Manager's report.

Mr. Kerker reviewed the YTD and July Financial Operating Statements and Balance Sheets for all three Utilities. Mr. Kerker stated that the Electric Utility's Change in Net Assets was \$5.2 million below Budget. Native system sales revenues were 7.5% lower than Budget, along with continued softness of the wholesale sales that included a lower than expected sales price, resulting in electricity sales being \$10.5 million less than projected. Steam sales exceeded Budget by about \$1.2 million due mostly to a pass through of NOx costs charged to GPC. By-product revenue sales were \$182,000 lower than budgeted due to less coal burned. Production Fuel and Purchased Power Expense showed positive results of over \$3.6 million compared to Budget, due mostly to lower than projected coal prices and fewer tons burned. Maintenance expenses were less than projected due to several projects being deferred and reduced labor costs. Overall Operation and Maintenance Expenses showed better than projected results of over \$2.2 million compared to Budget. Trustee Tubandt asked how MP&W is comparing economically to others in the wholesale sales market. Mr. Kerker stated that in the past we have been fortunate to have excess capacity and been able to sell a lot of energy into the wholesale energy market and realize strong

margins. When wholesale energy sales drop, MP&W as a utility would feel it more than most as its excess capacity to total capacity is high. Mr. Kerker continued that if you compare our decrease in native system sales to other utilities we are not out of line.

Mr. Kerker stated that the Water Utility's Change in Net Assets was \$93,191 below Budget. The Water Utility's Year-to-Date financials showed that water usage is down an average of about 15% among all customer classes, resulting in \$194,481 lower revenue compared to Budget. Operating expenses were \$68,884 less than Budget, a good portion of that being lower fuel/power purchased and lower chemical cost due to lower water consumption. Maintenance costs were over Budget due mostly to costly main repairs on Isett Avenue. Net Interest Expenses were down about \$26,000 due to deferral of planned borrowing in the Water Utility.

Mr. Kerker stated the Communications Utility Year-to-Date Operating Results indicated that the CATV Revenue was down \$50,000 due to less advertising revenue. Data and Internet Revenue was better than budgeted by \$42,000 due to higher residential cable modem revenues due to more subscribers. Lower than budgeted digital conversion promotion expenses, anniversary expenses and travel expenses helped the operating expenses come in \$90,814 less than Budget. Maintenance came in close to Budget. Net Interest Expense was down \$41,000 due to less borrowing than anticipated. Overall there was an improvement of \$104,940 to the Change in Net Assets compared to Budget.

Trustee Axel moved, seconded by Trustee Carlson, to receive and place on file the July Financial Operating Statements and Balance Sheets for the Water, Electric, 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 July departmental reports were presented as previously submitted to all Board members in written form. Trustee Tubandt moved, seconded by Trustee Heidbreder, to receive and place on file the July departmental reports. Motion carried. All Trustees present voted aye.

The meeting was adjourned at 6:45 p.m.

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



Donald W. Kerker
Board Secretary



EISA 2007 Amendment of PURPA



Muscatine Power & Water Consideration of PURPA Title 1, Section 111(d), Smart Grid Information

Issued August 7, 2009

Preface

The Energy Independence & Security Act (EISA) was signed into law on December 19, 2007. Among the many provisions of this federal legislation were four new standards added to the Public Utility Regulatory Policies Act of 1978 (PURPA).

One of these new standards is found in Section 1307 of EISA and is entitled “Smart Grid Information”. This standard, which can also be found in Title 1, Section 111(d) of PURPA is commonly referred to as Standard 19 (as redesignated by the American Recovery & Reinvestment Act), provides that all state utility commissions and utilities must consider and make a determination whether to adopt the standard.

Muscatine Power and Water (MP&W) is obligated to consider Standard 19 as this standard applies to utilities with total annual retail sales greater than 500,000,000 kilowatt-hours.

Pursuant to EISA, MP&W was required to commence a proceeding on or before December 19, 2008, to consider adopting this standard. MP&W issued two publications (January 6, 2009 and January 30, 2009 editions of the Muscatine Journal) to solicit written comment from the public. A public hearing was held at MP&W’s A/O Center on February 3, 2009 to solicit oral comment. In both cases, no comments were received.

MP&W is required to commence a proceeding on or before December 19, 2009, to consider adopting these standards.

Consideration

Section 1307 of EISA added the following to PURPA Section 111(d)(19):

“Standard 19: Smart Grid Information

- (A) STANDARD—All electricity purchasers shall be provided direct access, in written or electronic machine-readable form as appropriate, to information from their electricity provider as provided in subparagraph (B).
- (B) INFORMATION—Information provided under this section, to the extent practical, shall include—

- (i) PRICES—Purchasers and other interested persons shall be provided with information on—
 - (I) Time-based electricity prices in the wholesale electricity market; and
 - (II) Time-based electricity retail prices or rates that are available to the purchasers.
- (ii) USAGE—Purchasers shall be provided with the number of electricity units, expressed in kWh, purchased by them.
- (iii) INTERVALS AND PROJECTIONS—Updates of information on prices and usage shall be offered on not less than a daily basis, shall include hourly price and use information, where available, and shall include a day-ahead projection of such price information to the extent available.
- (iv) SOURCES—Purchasers and other interested persons shall be provided annually with written information to the sources of the power provided by the utility, to the extent it can be determined, by type of generation, including greenhouse gas emissions associated with each type of generation, for intervals during which information is available on a cost-effective basis.”

MP&W Management actively evaluates the deployment of smart grid devices whenever necessary. Installation of such devices would provide the associated customer with near real-time details of their energy usage.

Smart grid devices, Automatic Meter Readers (AMR), have been deployed at key customer locations. These devices are providing near real-time energy usage information to the associated customer in web-based, electronic format. This effort will continue for the next few years. Further, a study is scheduled for 2011 to evaluate the feasibility of a system-wide deployment of AMR technology.

MP&W is in the process of joining the Midwest Independent System Operator (MISO). It is anticipated that this membership will enable MP&W to provide its customers with time-based electricity prices in the wholesale electricity market in near real-time, electronic format. Further, MISO establishes day-ahead pricing, which is also anticipated to be available in near real-time, electronic format.

Management believes the above demonstrates that MP&W is progressing toward being able to fulfill the objectives of Standard 19 where practical and recommends that the Board adopt this Standard.

Approved: _____

Date: 2/25/09





EISA 2007 Amendment of PURPA



Muscatine Power & Water Consideration of PURPA Title 1, Section 111(d), Consideration of Smart Grid Investments

Issued August 7, 2009

Preface

The Energy Independence & Security Act (EISA) was signed into law on December 19, 2007. Among the many provisions of this federal legislation were four new standards added to the Public Utility Regulatory Policies Act of 1978 (PURPA).

One of these new standards is found in Section 1307 of EISA and is entitled “Consideration of Smart Grid Investments”. This standard, which can also be found in Title 1, Section 111(d) of PURPA is commonly referred to as Standard 18 (as redesignated by the American Recovery & Reinvestment Act), provides that all state utility commissions and utilities must consider and make a determination whether to adopt the standard.

Muscatine Power and Water (MP&W) is obligated to consider Standard 18 as this standard applies to utilities with total annual retail sales greater than 500,000,000 kilowatt-hours.

Pursuant to EISA, MP&W was required to commence a proceeding on or before December 19, 2008, to consider adopting this standard. MP&W issued two publications (January 6, 2009 and January 30, 2009 editions of the Muscatine Journal) to solicit written comment from the public. A public hearing was held at MP&W’s A/O Center on February 3, 2009 to solicit oral comment. In both cases, no comments were received.

MP&W is required to commence a proceeding on or before December 19, 2009, to consider adopting these standards.

Consideration

Section 1307 of EISA added the following to PURPA Section 111(d)(18):

“Standard 18: Consideration of Smart Grid Investments

- (A) **IN GENERAL**—Each State shall consider requiring that, prior to undertaking investments in non-advanced grid technologies, an electric utility of the State demonstrates to the State that the electric utility considered an investment in a qualified smart grid system based on appropriate factors, including—

- (i) Total costs;

- (ii) Cost-effectiveness;
- (iii) Improved efficiency;
- (iv) Security;
- (v) System performance; and
- (vi) Societal benefit."

MP&W Management views this Standard as primarily focused at State level action, however, MP&W is willing to consider all initiatives that may result. MP&W Management also views smart grid technology as a major focal point of the American Recovery & Reinvestment Act of 2009.

MP&W Management actively evaluates the deployment of smart grid devices whenever necessary. Smart grid devices, Automatic Meter Readers (AMR), have been deployed at key customer locations. These devices are providing near real-time energy usage information to the associated customer in web-based, electronic format. This effort will continue for the next few years. Further, a study is scheduled for 2011 to evaluate the feasibility of a system-wide deployment of AMR technology.

Management believes the above demonstrates that MP&W is already fulfilling the objectives of Standard 18 and recommends that the Board adopt this Standard.

Approved: D. Scott English
Date: 2/25/09



EISA 2007 Amendment of PURPA



Muscatine Power & Water Consideration of PURPA Title 1, Section 111(d), Rate Design Modifications to Promote Energy Efficiency Investments

Issued August 7, 2009

Preface

The Energy Independence & Security Act (EISA) was signed into law on December 19, 2007. Among the many provisions of this federal legislation were four new standards added to the Public Utility Regulatory Policies Act of 1978 (PURPA).

One of these new standards is found in Section 532 of EISA and is entitled “Rate Design Modifications to Promote Energy Efficiency Investments”. This standard, which can also be found in Title 1, Section 111(d) of PURPA is commonly referred to as Standard 17, provides that all state utility commissions and utilities must consider and make a determination whether to adopt the standard.

Muscatine Power and Water (MP&W) is obligated to consider Standard 17 as this standard applies to utilities with total annual retail sales greater than 500,000,000 kilowatt-hours.

Pursuant to EISA, MP&W was required to commence a proceeding on or before December 19, 2008, to consider adopting this standard. MP&W issued two publications (January 6, 2009 and January 30, 2009 editions of the Muscatine Journal) to solicit written comment from the public. A public hearing was held at MP&W’s A/O Center on February 3, 2009 to solicit oral comment. In both cases, no comments were received.

MP&W is required to commence a proceeding on or before December 19, 2009, to consider adopting these standards.

Consideration

Section 532 of EISA added the following to PURPA Section 111(d)(17):

“Standard 17: Rate Design Modifications to Promote Energy Efficiency Investments

- (A) IN GENERAL—the rates allowed to be charged by any electric utility shall—
 - (i) Align utility incentives with the delivery of cost-effective energy efficiency; and

- (ii) Promote energy efficiency investments.
- (B) POLICY OPTIONS—in complying with subparagraph (A), each State regulatory authority and each non-regulated utility shall consider—
 - (i) Removing the throughput incentive and other regulatory and management disincentives to energy efficiency;
 - (ii) Providing utility incentives for the successful management of energy efficiency programs;
 - (iii) Including the impact on adoption of energy efficiency as one of the goals of retail rate design, recognizing that energy efficiency must be balanced with other objectives;
 - (iv) Adopting rate designs that encourage energy efficiency for each customer class;
 - (v) Allowing timely recovery of energy efficiency-related costs; and
 - (vi) Offering home energy audits, offering demand response programs, publicizing the financial and environmental benefits associated with making home energy efficiency improvements, and educating homeowners about the existing Federal and State incentives, including the availability of low-cost loans, that make energy efficiency improvements more affordable.”

In 1981, the Utility was required to consider time-based rates under the PURPA provisions. The Final Order adopted by the Board of Trustees on November 17, 1981 addressed Time of Day, Seasonal, and Interruptible Rates. The position adopted by the Board at that time contemplated very little interest from its customers for those types of rates into the foreseeable future.


Since 1981, there has been little interest expressed by customers for time-based rates. There has been limited interest expressed on the part of prospective large industrial customers in interruptible rates. In recent years, the Utility has sought to determine the interest level of its existing major industrial customers in interruptible rates, but has found there is virtually no interest due to their very high load factors and unwillingness to interrupt their production processes.

Although the existing rate design will remain as-is for the foreseeable future, all options for encouraging energy efficiency for each customer class will be explored when a new rate design is required.

MP&W encourages its customers to undertake energy efficiency projects by performing residential & industrial energy audits and by maintaining rebate programs for lighting improvements, premium efficiency motor replacements, Energy Star appliance replacements, and deployment of other energy efficient technologies.

MP&W Management carries out seminars for its customers on energy efficiency topics such as pump & motor optimization and energy efficient home building.

Management believes the above demonstrates that MP&W is already fulfilling the objectives of Standard 17 and recommends that the Board adopt this Standard.

Approved: 
Date: 2/25/09



EISA 2007 Amendment of PURPA



Muscatine Power & Water Consideration of PURPA Title 1, Section 111(d), Integrated Resource Planning

Issued August 7, 2009

Preface

The Energy Independence & Security Act (EISA) was signed into law on December 19, 2007. Among the many provisions of this federal legislation were four new standards added to the Public Utility Regulatory Policies Act of 1978 (PURPA).

One of these new standards is found in Section 532 of EISA and is entitled “Integrated Resource Planning”. This standard, which can also be found in Title 1, Section 111(d) of PURPA is commonly referred to as Standard 16, provides that all state utility commissions and utilities must consider and make a determination whether to adopt the standard.

Muscatine Power and Water (MP&W) is obligated to consider Standard 16 as this standard applies to utilities with total annual retail sales greater than 500,000,000 kilowatt-hours.

Pursuant to EISA, MP&W was required to commence a proceeding on or before December 19, 2008, to consider adopting this standard. MP&W issued two publications (January 6, 2009 and January 30, 2009 editions of the Muscatine Journal) to solicit written comment from the public. A public hearing was held at MP&W’s A/O Center on February 3, 2009 to solicit oral comment. In both cases, no comments were received.

MP&W is required to commence a proceeding on or before December 19, 2009, to consider adopting these standards.

Consideration

Section 532 of EISA added the following to PURPA Section 111(d)(16):

“Standard 16: Integrated Resource Planning—Each electric utility shall—

- (A) Integrate energy efficiency resources into utility, state, and regional plans; and
- (B) Adopt policies establishing cost-effective energy efficiency as a priority resource.”

In the broad sense of Integrated Resource Planning (IRP), the Utility’s challenge has been to minimize customer rate impacts in light of a substantial capital spending requirement needed to

address customer load growth, support government environmental and energy policies, and maintain transmission & distribution reliability. To address this challenge, MP&W is scrutinizing capital projects for cost reductions or deferrals that make economic sense in today's market environment.

MP&W has been progressive with respect to energy efficiency projects and initiatives. As an example, MP&W has established a Critical Issue with established strategies of:

- Reduce energy consumption by 10% through DSM (energy efficiency) programs for select utility-owned and free book facilities by December 2009
- Reduce energy consumption through residential and commercial energy efficiency programs
- Encourage MP&W customers to invest in renewable energy
- Evaluate MP&W's production of cost-effective renewable-generated electricity
- Reduction of emissions will be driven from an energy efficiency and renewable energy initiative
- Conduct outreach, educational, and promotional activities that challenge customers of all ages to take individual responsibility to increase energy efficiency, decrease usage, and improve the environment
- Evaluate Energy Efficiency funding for public utilities in the American Recovery and Reinvestment Act

MP&W is leading by example within our community with renewable installations at the A/O Center. In fact, the same photovoltaic systems we employ are being made available to our customer-owners. MP&W is also evaluating the feasibility of geothermal installations at Utility-owned facilities to improve heating & cooling efficiency. MP&W is a full-participant in the feasibility study for the Iowa Agency for Municipal Wind (IAMWind) project for larger-scale wind resources (exceeding 100MW).

A key component of IRP is load forecasting. MP&W Management completes an annual load forecasting study, which actively seeks input from our key customers to ensure its accuracy.

MP&W pursues economic power plant upgrade options. Examples of which are DCS-based neural net optimization tools, high efficiency replacement motors including the recent Unit#9 Boiler Feed Pumps, decreased use of city water to lower pumping needs, a new nozzle design for the FGD towers to lower pumping needs & increase capture rate, and regular maintenance such as turbine overhauls.

MP&W has established the Continuous Improvement Program (CIP) & Business Improvement Team (BIT) to solicit employee input for ways & methods to maximize personnel & process efficiencies and demonstrate an overall culture of efficiency.

MP&W is in the process of joining Midwest Independent System Operator (MISO). This membership will provide MP&W the ability to generate the energy needed to meet its native system customer's needs or to purchase energy from the wholesale market which ever is the most economical. MISO membership will also present the opportunity to source energy from a diverse portfolio of generation technologies.

Management believes the above demonstrates that MP&W is already fulfilling the objectives of Standard 16 and recommends that the Board adopt this Standard.

Approved: D. Scott English
Date: 8/25/09