

OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
FEBRUARY 23, 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, February 23, 2009 at 5:30 p.m.

Chairperson Scott Ingstad called the meeting to order. Members of the Board were present as follows: Trustees Scott Ingstad, Doyle Tubandt, Warren Heidbreder, 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; David Fee and Lacey Loewe of Principal Financial Group; Ray Danz, Erika Cox, Brandy Olson, Jeff Beer 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 public comments.

The minutes of the January 26, 2010 regular meeting were presented as previously submitted to all Board members in written form. Trustee Axel moved, seconded by Trustee Heidbreder that minutes be approved and placed on file as submitted. Motion carried. All Trustees present voted aye.

The January 26, 2010 Audit/Finance Committee meeting minutes were received and placed on file.

The list of expenditures and transactions for January was presented as previously submitted to all Board members in written form. Mr. LoBianco commented that expenditures for January included the transfer of close to \$13,000,000 for the Electric Utility debt service payment. After review, Trustee Tubandt moved, seconded by Trustee Carlson, to ratify payments of \$16,900,338.94 for the Electric Utility, \$282,340.56 for the Water Utility, and \$1,301,601.66 for the Communications Utility for a total amount of \$18,484,281.16. Motion passed. All Trustees present voted aye.

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 reminded the Board that the investment policy requires an annual Board review and asked the Board to consider whether they wanted to continue quarterly or go back to annual reviews, or some other review period entirely. Ms. Cox introduced David Fee and Lacey Loewe from the Principal Financial Group to provide an update on the status of the plan's 2009 year end asset allocation, investment earnings results and funding status.

Mr. Fee reminded the Board that the goal of Principal Financial Advisors, Inc. is to provide an investment strategy that is broadly diversified across a wide range of asset classes and investment styles, while keeping risk at appropriate levels for retirement assets. Due to the unprecedented economic turmoil and market volatility over the past 18 months, Principal has continuously monitored and evaluated the asset classes and

accounts and made adjustments that they believe would further improve the risk/return profile of the MP&W portfolio. Several adjustments were made which were explained in detail by Mr. Fee, along with a review of all current asset allocations. Principal believes that these adjustments will better position the MP&W investment portfolio to meet Utility goals. The Board expressed their thanks for the update and Mr. Fee and Ms. Loewe left the meeting.

After some discussion the Board decided that they would like Ms. Cox to continue to review pension and investment plan results on a monthly basis and give an update to the Board in 6 months, with Principal in attendance if she feels it is necessary. Ms. Cox will also notify the Board if there are any significant changes to the account balance. The Board continued discussion on what the contract with Principal contains for provisions and if Principal is the best choice as a manager of the MP&W Pension Plan and Investments. Several other items were discussed, such as objective of the assets that are held (risk vs. return), an investment option that includes only index funds, the difference between an advisor for the plan and a manager of the plan and if separate entities are needed for each and what a reasonable expectation on rate of return should be. Ms. Cox will compile information to answer the Boards questions and present thoughts and options at a future Audit/Finance Committee Meeting.

Mr. LoBianco stated the next agenda item was a motion to for the Board to approve rescheduling the December Board meeting date from Tuesday, December 28, 2010 to Tuesday, December 21, 2010 to avoid the meeting falling between the Christmas and New Year's holidays. Trustee Axel moved, seconded by Trustee Tubandt that the December Board Meeting date be changed to Tuesday, December 21, 2010. Motion carried. All Trustees present voted aye.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum that included updates on MP&W maintaining its platinum level RP3 designation and a final update on the digital transition.

The January Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. LoBianco gave a brief update on each utility. In the Electric Utility the January results exceeded budget primarily due to the price of energy per MWH sold into the MISO market being higher then budgeted, staff feels that the higher price correlates with colder temperatures. In the Water Utility, native system sales were down causing a change in net assets of negative \$1,466 from what was budgeted. The Communications Utility underperformed budget by about \$72,000 primarily due to unanticipated costs of the digital transition. Mr. Kerker reviewed new financial pages for the Electric Utility that had been reformatted to better match MP&W's operation as a member of MISO, specifically regarding the buying and selling of energy into the MISO market. He continued by reviewing the monthly financial statements for all three utilities. After review, Trustee Axel moved, seconded by Trustee Heidbreder, to receive and place on file the January Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. Motion carried. All Trustees present voted aye.

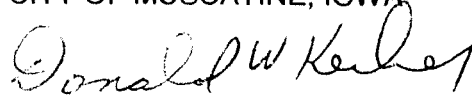
The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members in written format. There were no items for approval.

The January 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 January departmental reports. Motion carried. All Trustees present voted aye.

Trustee Tubandt moved, seconded by Trustee Carlson, to adjourn the February 23, 2010, Board Meeting. Motion carried. All Trustees present voted aye. The meeting was adjourned at 6:50 p.m.

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

Donald W. Kerker
Board Secretary