

OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
April 27, 2010 – 5:30 P.M.

The Board of Trustees met in regular session at Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, April 27, 2010 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, 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; Gary Wieskamp, 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 March 30, 2010 regular meeting were presented as previously submitted to all Board members in written form. Trustee Carlson moved, seconded by Trustee Tubandt, that the minutes be approved and placed on file as submitted. Motion carried. All Trustees present voted aye. The March 30, 2010 Audit/Finance Committee meeting minutes were received and placed on file.

The list of expenditures and transactions for March was presented as previously submitted to all Board members in written form. Mr. LoBianco stated that expenditures are at the second lowest level in twelve months, but coal delivery has started driving the Electric Utility expenditures higher. After review and discussion, Trustee Heidbreder moved, seconded by Trustee Axel, to ratify payment of \$4,384,209.21 for the Electric Utility, \$513,933.41 in the Water Utility, and \$766,408.38 for the Communications Utility for a cumulative total of \$5,664,551.00. Motion carried. All Trustees present voted aye.

Mr. LoBianco stated that the 2009 Muscatine Power and Water Annual Report has been completed and introduced Mr. Wieskamp to present the report. Mr. Wieskamp pointed out that the annual reports had been distributed to each of the Board members and asked if they had any questions about the report. He reminded the Board that in 2008 the Board had requested a less costly report and the Utility continued this theme in 2009 by eliminating most of the photos and other non-essential parts of the report. The Board congratulated the management team on reducing the cost of the report and agrees that they continue to be prudent due to current economic times. Trustee Heidbreder moved, seconded by Trustee Carlson, that the 2009 Annual Report be received and placed on file as submitted. Motion carried. All Trustees present voted aye.

Mr. LoBianco introduced Mr. Beer to review the revised project summary form for the ISP Network Upgrade Project. Mr. Beer reminded the Board that previously, as a part of the annual operating budget, the ISP Network Upgrade project was approved in the amount of

\$100,000. It is now recommended that the project scope be changed to include additional upgrades to our service offering that will better match features included with competitors' service offerings. The new project scope includes the cost to upgrade the current mail system storage capacity from the current 50 Megabyte limit to 2 Gigabytes per mailbox, therefore addressing some of the customer concerns that the Board may have heard regarding the need for more storage. The additional \$50,000 in project costs will be offset through the cancellation of a different project. Trustee Tubandt moved, seconded by Trustee Axel, that the revised project summary form for the ISP Network Upgrade Project be approved in the amount of \$150,000. Motion carried. All Trustees present voted aye.

Mr. LoBianco introduced Mr. Danz to review the next item on the agenda, a review of the project approval request for the Unit 9 Generator Rewind Project. Mr. Danz referenced the project summary form included in the Board Packet saying that this work will be completed during the Unit 9 spring 2011 maintenance outage, but is being submitted now for approval because of the significant material lead times and shop scheduling requirements. Mr. Danz reviewed the project justification and pictures included in the packet. Trustee Heidbreder moved, seconded by Trustee Axel, that the project approval request for the Unit 9 Generator Rewind Project be approved in the amount of \$1,600,000. Motion carried. All Trustees present voted aye.

Mr. Danz reviewed the next item on the agenda, a revised project summary for the Rebuild of the 7B Circulating Water Pump Project. Mr. Danz told the Board that the project would exceed the previously approved amount of \$150,000 because of a failure that occurred during testing of the rebuilt pump where the pump shaft seized. Additional labor and materials, that are expected to cost \$40,000, are needed to repair the damage. Trustee Tubandt moved, seconded by Trustee Carlson, that the revised project for the 7B Circulating Water Pump be approved in the amount of \$190,000. Motion carried. All Trustees present voted aye.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum that included an update on the audit of MP&W's compliance with NERC reliability standards and spot check of critical infrastructure protection (CIP) compliance by the Midwest Reliability Organization's (MRO) that was held at MP&W. The MRO was on-site April 13-15 to evaluate MP&W's compliance. Mr. LoBianco continued that although MP&W has been audited by the MRO in the past, the compliance landscape for reliability and CIP has changed since their last visit in 2007. The MRO auditors are now formally trained in interviewing and audit procedures, in addition to being experienced utility professionals, and violations of the standards are now eligible for high dollar fines and protracted mitigation plans. Preliminary indications are that the Utility may be cited for two potential violations of the reliability standards and one potential violation of a CIP standard. Internally, steps are already being taken to immediately address the identified issues. Using the same kind of teamwork exhibited before and during the audit, measures will be implemented to ensure continued compliance in these areas. Mr. LoBianco told the Board that although the audit revealed opportunities for the Utility to improve testing programs, record keeping and vendor relationship management, highly complementary feedback was received on many of the Utility's compliance activities, including program development, records organization and professionalism.

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

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

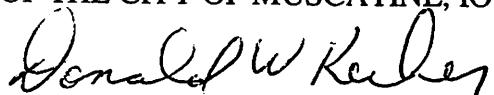
The Critical Issues and Key Performance Indicators presentation for the Water, Electric, and Communications Utilities was the next agenda item. Mr. LoBianco asked each critical issue leader to review the status of their critical issue and Mr. Kerker to review the key performance indicators including financials. After review and discussion, Trustee Heidbreder moved, seconded by Trustee Axel, to receive and place on file the 2010 First Quarter Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities. Motion carried. All Trustees present voted aye.

The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members in written format. There was one project in March, the Unit 8 Control Room AC Replacement, for which competitive quotes were received. The approved project amount was \$80,000, two quotes were received and the bid in the amount of \$52,065 from Ragan Mechanical was accepted. Trustee Tubandt moved, seconded by Trustee Heidbreder, to approve the March Competitive Quotes for Public Improvements Report. Motion carried. All Trustees present voted aye.

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

Chairperson Ingstad asked if there were any other items of business. With no other items of business, Trustee Axel moved, seconded by Trustee Tubandt, that the meeting be adjourned at 7:25 p.m.

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Donald W. Kerker
Board Secretary