

**OFFICIAL PROCEEDINGS OF THE  
BOARD OF WATER, ELECTRIC,  
AND COMMUNICATIONS TRUSTEES  
OF THE CITY OF MUSCATINE, IOWA  
OCTOBER 26, 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, October 26, 2010, at 5:30 p.m.

Chairperson Gary Carlson called the meeting to order. Members of the Board were present as follows: Trustees Gary Carlson, Doyle Tubandt, Scott Ingstad and Joan Axel. Trustee Warren Heidbreder was present by phone, due to previously scheduled travel plans.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Donald W. Kerker, Board Secretary; Charles Potter, Muscatine Journal; Jeff Beer, Erika Cox, Ray Danz, Brandy Olson, Gary Wieskamp and Brenda Christensen of Muscatine Power and Water.

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

The minutes of the September 28, 2010, regular meeting, and the September 28, 2010, Audit/Finance Committee Meeting minutes were presented as previously submitted to all Board members in written form. Trustee Tubandt moved, seconded by Trustee Axel, that the September 28, 2010, regular meeting minutes be approved as submitted. Motion carried. All Trustees present voted aye. The September 28, 2010, Audit/Finance Committee Meeting minutes were received and placed on file.

The list of expenditures and transactions for September 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 Axel, to ratify payment of \$5,731,259.59 for the Electric Utility, \$385,166.58 for the Water Utility, and \$902,498.59 for the Communications Utility for a cumulative total of \$7,018,924.76. Motion carried. All Trustees present voted aye.

Mr. LoBianco told the Board that the 2011 Strategic Plan had been included under separate cover with the October Board packet and reminded the Board that approval would be requested at the November Board meeting. Mr. LoBianco stated that the strategic plan has been updated utilizing survey results and feedback from Trustees and employees, along with input received from a working session that included the directors, managers and other employee representatives. Mr. LoBianco reviewed several changes to the 2011 Strategic Plan including the creation of Core Values to support the Mission Statement and to provide a guide to employees for their daily and long term work activities. Mr. LoBianco requested that any additions or comments on the Strategic Plan be directed back to him.

The next agenda item was a recommendation to set dates for the receipt of bids and to conduct a public hearing for the FGD Absorber Feed Tank Repair Project. Mr. LoBianco reviewed the previously submitted memorandum to all Board members explaining that a project form had been submitted with the 2011 Budget for a total expenditure of \$475,000 to repair the FGD Absorber Feed Tank during the Unit 9 scheduled maintenance outage in March 2011. The project is being submitted for approval now due to lead times needed for specific vendor qualifications. After discussion and review of the project, the following resolution was submitted.

### **RESOLUTION 10-08**

WHEREAS, plans and specifications have been prepared for the FGD Absorber Feed Tank Repair Project; and,

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

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the plans and specifications in the proposed form for the FGD Absorber Feed Tank Repair Project were tentatively approved; and,

BE IT FURTHER RESOLVED, that the date of November 23, 2010, at 3:00 p.m., was hereby set for receipt of bids on said project at which time the Board's duly appointed representative was hereby authorized, empowered, and directed to receive, open and read aloud all sealed bids, and receive and record all oral bids, and keep a written record of said proceedings and notice to bidders be published not less than twenty (20) days nor more than forty-five (45) days prior to said date for receipt of bids all as required by the Code of Iowa; and,

BE IT FURTHER RESOLVED, that the hearing on said plans and specifications and proposed form of contract as provided by statute, be held in the office of the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on December 21, 2010, at 5:28 p.m., and notice to bidders be published not less than four (4) days nor more than twenty (20) days prior to said hearing all as required by the Code of Iowa.

Trustee Heidbreder moved, seconded by Trustee Axel, that the said resolution should be passed, approved, and adopted on this 26<sup>th</sup> day of October 2010. Trustees Heidbreder, Tubandt, Ingstad, Axel, and Carlson voted aye. Voting nay, none.

Duane J. Goedken, Board Attorney, arrived at the meeting.

The next subject on the agenda was an approval for the General Manager to enter into a multi-year agreement with Qwest Communications Corporation for internet bandwidth. Mr. LoBianco explained to the Board that the current Qwest contract expires in November 2010 and that this contract will replace the existing contract. Price quotes were sought from Qwest, AT&T and Verizon; Qwest renewal price was very competitive and lower than the current contract.

Trustee Ingstad moved, seconded by Trustee Axel, that the General Manager be authorized to enter into a three-year agreement with Qwest Communications Corporation to provide 155 Mb/s of internet bandwidth. Motion carried. All Trustees present voted aye.

The preliminary 2011 Annual Operating Budgets for the Electric, Water, and Communications Utilities were submitted under separate cover to all Board members. Mr. LoBianco stated that the operating budgets were presented for information and comments, approval of the budgets will be requested at the November Board of Trustees meeting. Mr. LoBianco continued that the assumptions driving the budgets are similar to those used in the Ten Year Financial Projections that were reviewed at last month's Board meeting. The budget assumptions were designed to support the medium term achievement of financial targets, meet the needs of our customer/owners at the lowest possible cost and support the Critical Issues identified in the Strategic Plan. The budgets reflect ongoing efforts to keep expenses and capital expenditures at conservative levels in response to the ongoing economic conditions.

Mr. LoBianco gave a brief summary of each Utility starting with the Electric Utility, which he stated still faces some significant financial challenges as indicated by the large budgeted loss and negative cash flow driven by the expenses associated with a major maintenance outage and the last large debt payment. The challenges are compounded by the expectation of continued lower margin and cash flow associated with wholesale energy revenues; an eight week maintenance outage on Unit 9 further reducing wholesale energy revenues, and the significant expenses associated with the outage at a cost of approximately \$4.0 million.

The Water Utility indicates financial performance similar to what was shown in the Utility's Ten-Year Projection for 2011. The budget assumes further recovery in retail consumption compared to 2010, but at a level that is below 2008 levels. Chemical and electric expenses continue to increase and are major expense drivers. Operation expense is up significantly driven by a system study that is budgeted at \$120,000 in support of the new water system critical issue identified in the revised Strategic Plan.

The Communications Utility Budget indicates financial performance is below what was shown in the Utility's Ten-Year Projection for 2011, due to an increase in marketing expenses. Assuming subscriber goals and service mix levels are achieved, the budget indicates a return to positive operating income in 2011 with available margins servicing debt and funding ongoing capital requirements.

Mr. Kerker reminded the Board that the drivers for each Utility's Budget Summary are laid out to look at the cash inflows and outflows for each of the Utilities and that the primary difference between these schedules and the income statements is that the schedules show debt principal repayment, capital expenditures and excludes depreciation/amortization. Mr. Kerker continued with a review of the major drivers for each Utility.

Mr. LoBianco stated that the 2009 Operating Budgets were presented for informational purposes this evening and asked the Board of Trustees to provide any additional comments to him regarding the budgets. The comments and suggestions will be incorporated in the operating budgets prior to approval at the November Board meeting.

A public hearing will be conducted prior to the November Board of Trustees regular meeting to receive any public comments regarding the budgets.

Mr. Kerker stated the State of Iowa required that a budget summary for all three utilities be prepared and a public hearing conducted on the budget summary to provide the public an opportunity to review and present any comments on the published budget summary. Prior to the November Board of Trustees meeting, the budget summary and public hearing notice will be published in the Muscatine Journal. The budget summary will be posted at City Hall and at Musser Public Library for citizens' information and review. After approval of the budget summary by the Board of Trustees, the budget summary will be provided to the City of Muscatine for submittal to the State of Iowa as an attachment to the City of Muscatine's budget. It was management's recommendation that the public hearing be set for November 30, 2010, at 5:28 p.m. The following resolution was submitted.

### **RESOLUTION 10-09**

WHEREAS, the budget summary of the combined Electric, Water, and Communications Utilities was being prepared for the 2011 calendar year, and it was recommended that a public hearing be established for the review of said budget summary; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that the budget estimate summary of the combined Electric, Water, and Communications Utilities be placed on file at the office of the City Clerk and at the City Library for any resident, taxpayer, or consumer to view; and,

BE IT FURTHER RESOLVED, that a public hearing be held on the 30<sup>th</sup> day of November 2010 at 5:28 p.m. in the Board Room of Muscatine Power and Water's Administration/Operations Building located at 3205 Cedar Street, in the City of Muscatine, Iowa, and the notice of said hearing shall be published once in the Muscatine Journal, a newspaper of general circulation published daily in the City of Muscatine, Iowa, not less than ten (10) nor more than twenty (20) days prior to said hearing all as required by the Code of Iowa.

Trustee Ingstad moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved and adopted this 26<sup>th</sup> day of October 2010. On roll call Trustees Heidbreder, Tubandt, Ingstad, Axel, and Carlson voted aye. Voting nay, none.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum. A brief update was given on the employee meetings held in October and the annual IAMU Conference that he attended. Mr. LoBianco also reviewed that MP&W had been chosen to be one of the two finalists for the Powder River Basin (PRB) Coal Users' Group "Plant of the Year" award and reviewed with the Board some of the very positive feedback provided by the Coal Users' Group Board of Directors that evaluated our plant on October 14, 2010. The last item on Mr. LoBianco's GM Report was a utility rate comparison compiled by Cedar Falls Utilities, showing that MP&W still maintains a very competitive position with respect to the average annual residential bill that our customers pay for the utility services.

The September 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. Mr. Kerker then reviewed the year-to-date financial statements for all three utilities. After review, Trustee Ingstad moved, seconded by Trustee Heidbreder, to receive and place on file the September Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. 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 Tubandt moved, seconded by Trustee Axel, to receive and place on file the Quarterly Project Status Report and Variance Analyses. 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 form. There were no items for approval.

The Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities were previously submitted to all Board members in written format. Mr. LoBianco stated that the normal key performance indicators for the three utilities were not included in this third quarter update, instead a set of indicators that compares MP&W's Electric Utility to other public power utilities was provided and would be reviewed by Mr. Kerker after each of the critical issue leaders reviewed the status of their critical issue. Mr. LoBianco said that he believed that the Board would see that the comparisons from the across the country show that MP&W electric rates and financial performance were very good compared to the other utilities.

Trustee Heidbreder left the meeting at 6:35p.m.

Trustee Axel moved, seconded by Trustee Tubandt, to receive and place on file the 2010 Third Quarter Critical Issues and Performance Indicators for the Water, Electric, and Communications Utilities. Motion carried. All Trustees present voted aye.

The September departmental reports were presented as previously submitted to all Board members in written form. Trustee Tubandt moved, seconded by Trustee Ingstad, to receive and place on file the September departmental reports. Motion carried. All Trustees present voted aye.

Chairperson Carlson asked if there were any other items of business. With no other items of business, Trustee Tubandt moved, seconded by Trustee Axel, that the meeting be adjourned at 6:55 p.m.

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



Donald W. Kerker  
Board Secretary