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**PUBLIC HEARING OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
JANUARY 29, 2008**

The Board of Trustees conducted a public hearing at Muscatine Power and Water's Administration Building, 3205 Cedar Street, Muscatine, Iowa, Tuesday, January 29, 2008.

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

Also present were Mr. Jay Logel, General Manager of Muscatine Power and Water; Mr. Donald W. Kerker, Board Secretary; Mr. Duane J. Goedken, Board Attorney; Mr. David Fee, Principal Financial Group; Mr. Charles Potter, KWPC/KWCC Radio Station; Messrs. Sal LoBianco, Ray Danz, Gary Wieskamp, and Ms. Erika Cox, Brandy Dulceak, and Ann Jones of MP&W.

The purpose of the hearing was to receive any written or oral comments for or against the Unit 9 Aqueous Film Forming Foam (AFFF) System project.

At 5:26 p.m. the Secretary opened the public hearing for the Unit 9 Aqueous Film Forming Foam (AFFF) System project.

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

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

RESOLUTION 08-01

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa has given tentative approval to plans and specifications for Unit 9 Aqueous Film Forming Foam (AFFF) System 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 Unit 9 Aqueous Film Forming Foam (AFFF) System project be adopted.

Trustee Axel moved, seconded by Trustee Ingstad, that the resolution should be passed, approved, and adopted this 29th day of January 2008. On roll call Trustees Heidbreder, Axel, and Ingstad voted aye. Voting nay, none. Trustees Tubandt and Mead were absent.

The Secretary closed the hearing.

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

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

Donald W. Kerker
Board Secretary

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
JANUARY 29, 2008—5:30 P.M.**

The Board of Trustees met in regular session at Muscatine Power and Water's Administration Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, January 29, 2008, at 5:30 p.m., CST.

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

Also present were Mr. Jay D. Logel, General Manager of Muscatine Power and Water; Mr. Donald W. Kerker, Board Secretary; Mr. Duane J. Goedken, Board Attorney; Mr. David Fee, Principal Financial Group; Mr. Charles Potter, KWPC/KMCS; Messrs. Sal LoBianco, Ray Danz, Gary Wieskamp, and Ms. Erika Cox, Brandy Dulceak, and Ann Jones of MP&W.

Chairperson Heidbreder asked if there was anyone in attendance that would like to address the Board of Trustees. There were no public comments.

The minutes of the December 20, 2007 regular meeting were presented as previously submitted to all Board members in written form. Trustee Ingstad moved, seconded by Trustee Axel, that the December Board meeting minutes be approved as submitted to all Board members. Motion carried. All Trustees present voted aye.

The list of expenditures and transactions for December was presented as previously submitted to all Board members in written form. Mr. Logel directed the Board's attention to page twenty-six and a check issued to the Iowa Utilities Board in the amount of \$18,559.77 for Muscatine Power and Water's quarterly assessment payment. The Utility was assessed a fee to support the Iowa Utilities Board and the Consumer Advocate's Office. After review and discussion, Trustee Axel moved, seconded by Trustee Ingstad, to ratify payment of \$6,236,746.09 for the Electric Utility, \$346,659.85 in the Water Utility, and \$772,962.89 for the Communications Utility for a cumulative total of \$7,356,368.83. Motion carried. All Trustees present voted aye.

Mr. Logel reviewed the previously submitted memorandum to all board members regarding the receipt and evaluation of bids for Unit 9 Aqueous Film Forming Foam (AFFF) System. Three bids were received and publicly opened on January 3, 2008. The bids ranged from a low of \$146,245 to a high of \$198,510. The approved project amount was \$150,000.

The low bid was submitted by Ahern Fire Protection in the amount of \$146,245. Staff reviewed the bids and established conformance to the specifications of the low bidder. There were no exceptions taken by Ahern Fire Protection to the bid documents and the technical clarifications were reviewed by staff and do not affect the bidder's ability to meet the project specifications. It was staff's recommendation that a contract be awarded to Ahern Fire Protection in the amount of \$146,245.00 for Unit 9 Aqueous Film Forming Foam (AFFF) System.

After review of the project the following resolution was submitted.

RESOLUTION 08-02

WHEREAS, it appears in a written report from the Board's staff that the bid as submitted by Ahern Fire Protection in the amount of \$146,245.00 for the Unit 9 Aqueous Film Forming Foam (AFFF) System was the best and lowest bid received; now therefore,

BE IT RESOLVED by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the proposal of Ahern Fire Protection in the amount of \$146,245.00 for the Unit 9 Aqueous Film Forming Foam (AFFF) System was hereby accepted as submitted; and,

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

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

Trustee Ingstad moved, seconded by Trustee Axel, that the said resolution should be passed, approved, and adopted on this 29th day of January 2008. Trustees Heidbreder, Axel, and Ingstad voted aye. Voting nay, none. Trustees Tubandt and Mead were absent.

Mr. Logel asked Ms. Erika Cox, Director of Employee Services, to introduce the next agenda item and this evening's guest. Ms. Cox advised that Muscatine Power and Water has a defined employee benefit pension plan. All eligible full- and part-time employees, except twelve Water Utility employees that participate in the Iowa Public Employers Retirement System (IPERS), participated in the defined benefit pension plan. The Water Utility employees received the option, because of an Iowa law change, to participate in IPERS or to continue participation in the defined benefit pension plan; twelve employees elected to participate in IPERS instead of MP&W's pension program.

Previously Muscatine Power and Water was restricted by law to invest pension funds in fixed-income securities only. In 2001 legislation was passed that provided the Utility with other investment options, similar to the IPERS investment program with some restrictions. The Board of Trustees approved a Pension Investment Policy and asset allocation strategy in 2001, which provided for the gradual diversification of the pension funds by December 2003. The Board's Pension Investment Policy requested an annual investment report and Mr. David Fee, Senior Investment Consultant of Principal Financial Advisers, Inc., presented the 2007 investment report. Ms. Cox advised that the summary report was previously submitted to all Board members in written format.

Mr. Fee briefly reviewed the investment strategy, the fund managers, and the various investment accounts. The Plan didn't meet the target rate of return in 2007. Muscatine Power and Water's pension plan was fully funded.

General discussion was conducted on the pension plan. The annual contribution amount was reviewed. The pension program was in addition to the 457 deferred compensation

program offered to the employees. The management team that administers the plan with Principal regarding the pension investments was Mr. Jay Logel, Mr. Don Kerker, and Ms. Erika Cox.

Trustee Ingstad moved, seconded by Trustee Axel, to receive and place on file the 2007 annual pension investment report. Motion carried. All Trustees present voted aye.

Mr. Fee left the meeting at 6:10 p.m.

Mr. Logel advised that the next agenda item was a recommendation by staff to approve a contract change order and to accept the CDB Utility Contractors contract as complete for the Horizontal Directional Drilling, Contract 1, - 2007 Projects. The Board awarded the contract to CDB Utility Contractors in the amount of \$116,549.00 at the February 27, 2007 Board of Trustees meeting. One Contract Change Order has been submitted in the decreased amount of \$310.94 for adjustment of contract quantities. The work completed by this contractor has been checked out by staff and found to be in accordance with the specifications. It was recommended that the Board approve the Contract Change Order in the decreased amount of \$310.94 and accept the contract as complete in the final amount of \$116,238.06. After discussion and review of the project the following resolutions were submitted.

RESOLUTION 08-03

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on February 27, 2007, awarded a contract to CDB Utility Contractors in the amount of \$116,549.00 for the Horizontal Directional Drilling, Contract 1, - 2007 Projects; and,

WHEREAS, a Contract Change Order has been prepared to said contract in the decreased amount of \$310.94 and said contract change order was reviewed by the Board and the Board's staff has recommended approval of said contract change order; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees that said contract change order in the decreased amount of \$310.94 be and the same was hereby approved for a final contract price of \$116,238.06.

Trustee Axel moved, seconded by Trustee Ingstad, that the said resolution should be passed, approved, and adopted on this 29th day of January 2008. On roll call Trustees Heidbreder, Axel, and Ingstad voted aye. Voting nay, none. Trustees Tubandt and Mead were absent.

RESOLUTION 08-04

WHEREAS, it appears in a written report from the Board's staff that the contract with CDB Utility Contractors for the Horizontal Directional Drilling, Contract 1, - 2007 Projects in the final amount of \$116,238.06 has been substantially completed in accordance with specifications and the recommendation has been made that said contract be accepted by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the Horizontal Directional Drilling, Contract 1, - 2007 Projects furnished under the above named contract be and the same was hereby accepted and approved by the Board; and,

BE IT FURTHER RESOLVED, that five percent (5%) of the contract price be retained for a period of thirty-one (31) days from and after the date of this acceptance all in accordance with the provisions of the Code of Iowa.

Trustee Axel moved, seconded by Trustee Ingstad, that the said resolution should be passed, approved, and adopted on this 29th day of January 2008. On roll call Trustees Heidbreder, Axel, and Ingstad voted aye. Voting nay, none. Trustees Tubandt and Mead were absent.

In the General Manager's report, Mr. Logel reviewed his previously submitted memorandum to all Board members. The March Board of Trustees meeting conflicts with the Greater Muscatine Chamber of Commerce and Industry's annual meeting, and it was recommended that the March Board of Trustees meeting be moved to March 31, 2008. The Board determined to conduct the meeting at 5:30 p.m. on March 31, 2008.

Also the June 24, 2008 Board of Trustees meeting was changed to June 30, 2008 due to a conflict with the American Public Power Association's national conference. There will not be a quorum for the June 30th meeting and therefore it will be necessary to find a different date in June for the meeting. An alternate date could be June 20, 2008 at 7:30 a.m.

In regards to succession planning for the General Manager, a meeting will be conducted on February 5, 2008 with the Board's General Manager's Search Committee, Trustees Mead and Tubandt, to receive the evaluation of the consultant proposals.

In October a consultant, New Energy, was engaged to evaluate whether the Utility should join the Midwest Independent System Operator (MISO) and to estimate what the participation costs could be for the Utility. One of the factors that will impact the Utility's evaluation was whether Mid-American Energy will participate in MISO or not. Once Mid-American Energy has determined whether to participate in MISO or not a recommendation will be made to the Board of Trustees regarding Muscatine Power and Water's membership.

The auditing firm, Virchow Krause, has requested a letter be distributed to all Board members regarding statement on auditing standards 114 that required the auditors to inform the governance's body about a number of audit related issues relative to the audit. Earlier this evening the letter was provided to the Audit/Finance Committee members. The letter was distributed to the Board. If the Board of Trustees has any concerns about the letter contents or other audit issues there was an auditor contact listed in the letter for the Board's information; otherwise there was no action required by the Board of Trustees.

Mr. Logel stated that the City of Fruitland has presented a plaque to Muscatine Power and Water recognizing employee efforts to assist the City of Fruitland after the June 1, 2007 tornado.

Mr. Logel stated that this completed his report, unless there were questions or comments from the Board of Trustees.

The Year-To-Date and unaudited December financial Operating Statements and Balance sheets for the Electric, Water, and Communications Utilities were previously submitted to all Board members in written format. Mr. Kerker distributed updated December financial statements to all Board members, which reflected some minor reclassifications. The income was not affected by the data reclassification in any of the three Utilities.

Mr. Kerker directed the Board's attention to page four of the Electric Utility's statements. The key drivers for variance from the budget for the Electric Utility included wholesale and steam sales that resulted in a two million dollar improvement. The major expense variances included production fuel and purchased power costs. Overall the Electric Utility performed better than projected in the 2007 Operating Budget.

Page three of the Water Utility's financials showed the results of reduced maintenance and operating costs, along with a higher than anticipated contract water sales in 2007. The Water Utility income exceeded the 2007 budget amount by \$110,000.

Mr. Kerker stated that page two of the Communications Utility financials indicated that the Internet revenue was higher than budget, along with reduced expenses and labor costs, resulting in an approximate \$250,000 improvement over budget. All loan interest payments were made to the Electric Utility in 2007. Trustee Ingstad pointed out that the Communications Utility has increased the cash flow this year.

The Quarterly Investment Report was previously distributed to all Board members in written format with the financials. Mr. Kerker briefly reviewed the report.

Trustee Axel moved, seconded by Trustee Ingstad, to receive and place on file the Year-To-Date and unaudited December Operating Statements and Balance Sheets for Electric, Water, and Communications Utilities and the 2007 Fourth Quarter Investment Report. Motion carried. All Trustees present voted aye.

Trustee Heidbreder recognized management for the good 2007 financial results in all three Utilities.

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 Quarterly Project Status Report and Variance Analyses were presented as previously submitted in written form to all Board members. There were five Electric Utility projects and two Communications Utility projects completed with a variance of ten percent or more of the approved amount. All the variances were below the approved budget amounts.

Mr. Logel briefly reviewed the project variances. Unit 8 major turbine overhaul and inspection were completed at a cost of \$515,594 versus the budget amount of \$896,500. The 42 percent difference resulted from one portion of the project being deferred. Unit 9A boiler

feedpump base repair/replace project was cancelled. A revised project was submitted to replace both motors and bases. The SCADA/EMS system replacement project consultant's work was completed 42 percent below budget due to a reduction in the consultant's scope of work. The Fruitland road rebuild was completed under budget due to a portion of the electrical line being destroyed by the June tornado and the line was rebuilt as part of the tornado repair project. The system reliability study, phase 1, was completed without the need for the contingency dollars and therefore was 16 percent below budget. The Communications Utility ad insertion equipment replacement was completed 13 percent under budget due to not purchasing an additional digital channel as anticipated. The upgrade of the residential boxes (CMTS to DOCSIS) was completed at a lower cost due discounted pricing received for the equipment.

After discussion and review Trustee Axel moved, seconded by Trustee Ingstad, to approve the Quarterly Project Status Report and Variance Analyses. Motion carried. All Trustees present voted aye.


The Quarterly Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities were previously submitted to all Board members in written format. The critical issue indicators were presented by the leader of each critical issue. Mr. Kerker reviewed the key performance indicators.

Trustee Ingstad moved, seconded by Trustee Axel, to receive and place on file the 2007 Fourth Quarter Critical Issues and Key Performance Indices for the Water, Electric, and Communications Utilities. Motion carried. All Trustees present voted aye.

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

Chairperson Heidbreder asked if there were any other items of business. With no other items of business, Trustee Axel moved, seconded by Trustee Ingstad, that the meeting be adjourned at 7:30 p.m.

BOARD OF WATER, ELECTRIC,
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Donald W. Kerker
Board Secretary