

OFFICIAL PROCEEDINGS OF THE  
BOARD OF WATER, ELECTRIC,  
AND COMMUNICATIONS TRUSTEES  
OF THE CITY OF MUSCATINE, IOWA  
SEPTEMBER 25, 2008 – 7:00am

The Board of Trustees conducted a special meeting at Muscatine Power and Water's Administration Building, 3205 Cedar Street, Muscatine, Iowa on Thursday, September 25, 2008.

Chairperson Tubandt called the meeting to order. The roll was called and the following were present: Trustees Doyle Tubandt, Warren Heidbreder, Joan Axel, Scott Ingstad and Gary Carlson.

Also present were Mr. Jay Logel, General Manager of Muscatine Power and Water, and Ms. Erika Cox, Director Human Resources of Muscatine Power and Water.

The purpose of the meeting was to review Board of Trustees feedback regarding General Manager candidates.

Trustee Tubandt asked if there were any public comments. There were no public comments.

At this time, Mr. Logel recommended the meeting be closed to the public in accordance with Iowa Code Chapter 21.5 (1.i) to review the candidate evaluations by the Board of Trustees.

Trustee Ingstad moved, seconded by Trustee Axel that the meeting be closed to the public in accordance with Iowa Code Chapter 21.5 (1.i) for the purpose of reviewing the candidate evaluations by the Board of Trustees. On roll call vote Trustees Tubandt, Heidbreder, Axel, Ingstad and Carlson voted aye. Voting nay, none.

The meeting was closed to the public at 7:10 a.m.

At 7:25 a.m. Mr. Logel and Ms. Cox left the closed session.

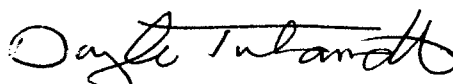
The meeting reconvened to open session at 8:25 a.m.

Trustee Tubandt reviewed the decision to extend an offer to Sal LoBianco to become the next General Manager of Muscatine Power and Water. The chair was directed to establish the compensation subject to Board approval.

Trustee Heidbreder moved, seconded by Trustee Axel, to approve the extension of the offer to Sal Lobianco. Motion carried. All Trustees present voted aye.

The meeting was adjourned at 8:30 a.m.

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



Doyle Tubandt  
Chairman

## CERTIFICATION FOR RECORDS

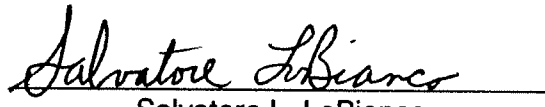
It is my understanding that my performance, as an interviewee of Muscatine Power and Water, is to be discussed by the Board of Water, Electric, and Communications Trustees at their meeting on September 30, 2008. I hereby request that such discussion be conducted in closed session in accordance with Chapter 21.5(1.i) of the Code of Iowa.



James R. French  
Interview Candidate

## CERTIFICATION FOR RECORDS

It is my understanding that my performance, as an interviewee of Muscatine Power and Water, is to be discussed by the Board of Water, Electric, and Communications Trustees at their meeting on September 30, 2008. I hereby request that such discussion be conducted in closed session in accordance with Chapter 21.5(1.i) of the Code of Iowa.

A handwritten signature in cursive script, reading "Salvatore L. LoBianco", is written over a horizontal line.

Salvatore L. LoBianco  
Interview Candidate

OFFICIAL PROCEEDINGS OF THE  
BOARD OF WATER, ELECTRIC,  
AND COMMUNICATIONS TRUSTEES  
OF THE CITY OF MUSCATINE, IOWA  
September 30, 2008—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, September 30, 2008, at 5:30 p.m., CDT.

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

Also present were Jay Logel, General Manager of Muscatine Power and Water; Duane Goedken, Board Attorney; Donald W. Kerker, Board Secretary; Charles Potter, KWPC/KWCC Radio Station; Sal LoBianco, Ray Danz, Gary Wieskamp, Mike Avesing, Erika Cox, Brandy Dulceak and Brenda Christensen of Muscatine Power and Water.

Mr. Logel stated that at the September 4, 2008 City Council meeting Mayor O'Brien appointed Gary Carlson to the Board of Water, Electric, and Communications Trustees. Mr. Carlson will complete the term of Don Mead who resigned before completing his term. The City Council ratified the appointment. Trustee Carlson's appointment will be September 1, 2008 through June 30, 2012. The Board is requested to receive and place on file the Certificate of Appointment for Mr. Carlson.

Trustee Heidbreder moved, seconded by Trustee Axel, to receive and place on file the Certificate of Appointment for Gary Carlson to the Board of Trustees for a period of September 1, 2008 through June 30, 2012. Motion carried. All Trustees present voted aye.

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

The minutes of the August 26, 2008 regular meeting were presented as previously submitted to all Board members in written form. Trustee Heidbreder moved, seconded by Trustee Axel, that the minutes be approved and placed on file as submitted. Motion carried. All Trustees present voted aye.

The list of August expenditures and transactions was presented as previously submitted in written form to all Board members. Mr. Logel pointed out that the Payroll, Taxes, Benefits & Temp Services line item included the yearly pension contribution of \$928,169.76. Trustee Axel asked if this was an unusual amount and Mr. Kerker replied that this is a typical payment, nothing extraordinary is included in it. Mr. Logel also pointed out that there was a \$568,949.00 charge from Altorfer Machinery Company to rebuild one of the dozers at the plant. Another note was made by Mr. Logel that mutual aid payments were made to Durant and Wilton Municipals for their help during the wind storm cleanup. Trustee Axel asked about the Coal, Coal Transport and Gas Expenditures as they seemed a bit high to her. Mr. Kerker stated that costs have gone up due to transportation costs (transportation is about 2/3 of the delivered coal costs), average cost per year is about \$24 million for the Utility.

After review, Trustee Carlson moved, seconded by Trustee Axel, to ratify payments of \$8,359,051.99 for the Electric Utility, \$424,348.54 for the Water Utility, and \$813,563.59 for the Communications Utility for a total amount of \$9,596,964.12. Motion passed. All Trustees present voted aye.

Mr. Logel reviewed the previously submitted memorandum to all Board members regarding the recommendation to accept the contract as complete for the Construction of Well #40 at Progress Park Well Field, Segment 2 – Well House including Electrical in the final amount of \$46,601.00. At the February 26, 2008, Board meeting, a contract was awarded to BMW Builders, LLC. Work covered by this contract has been completed, checked by staff and found to be in accordance with the specifications. There were no changes during construction on this contract. After discussion and review the following resolution was submitted:

#### **RESOLUTION 08-29**

WHEREAS, it appears in a written report from Board's staff that the contract with BMW Builders, LLC for the Construction of Well #40 at Progress Park Well Field, Segment 2 – Well House including Electrical in the final amount of \$46,601.00 has been substantially completed in accordance with the project 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 Construction of Well #40 at Progress Park Well Field, Segment 2 – Well House including Electrical 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 Heidbreder moved, seconded by Trustee Carlson, that said resolution be passed, approved, and adopted on this 25<sup>th</sup> day of September, 2008. Trustees Heidbreder, Carlson, Axel, and Ingstad voted aye. Voting nay, none. Trustee Tubandt was absent.

Mr. Logel reviewed the previously submitted memorandum to all Board members regarding the recommendation to accept the contract as complete for Unit 9 AFFF System. At the January 29, 2008, Board meeting, a contract was awarded to Ahern Fire Protection for Unit 9 AFFF System. There was one Contract Change Order that staff recommended for approval by the Board of Trustees in the amount of \$2,373.36 to modify power feed to AFFF equipment skid and to create backup of U8 MFAP program. The contract awarded amount was \$146,245.00 and with the approval of the Contract Change Order the contract amount will be \$148,618.36. Work covered by this contract has been completed, checked by staff and found to be in accordance with the specifications.

After discussion and review the following resolutions were submitted.

**RESOLUTION 08-30**

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on January 29, 2008 awarded a contract to Ahern Fire Protection in the amount of \$146,245.00 for Unit 9 AFFF System; and,

WHEREAS, Contract Change Order 1 has been prepared to said contract in the amount of \$2,373.36 and said Contract Change Order 1 was reviewed by the Board and the Board's staff has recommended approval of said Contract Change Order 1; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees that said Contract Change Order 1 in the amount of \$12,373.36 be and the same was hereby approved for a new contract price of \$148,618.36.

Trustee Axel moved, seconded by Trustee Heidbreder that said resolution be passed, approved, and adopted on this 25<sup>th</sup> day of September, 2008. Trustees Ingstad, Heidbreder, Axel, and Ingstad voted aye. Voting nay, none. Trustee Tubandt was absent.

**RESOLUTION 08-31**

WHEREAS, it appears in a written report from Board's staff that the contract with Ahern Fire Protection for Unit 9 AFFF System in the final amount of \$148,618.36 has been substantially completed in accordance with the project 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 Unit 9 AFFF System 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 and subject to receipt of the Operations and Maintenance Manual for the project.

Trustee Heidbreder moved, seconded by Trustee Axel, that said resolution be passed, approved, and adopted on this 25<sup>th</sup> day of September, 2008. Trustees Ingstad, Heidbreder, Axel, and Ingstad voted aye. Voting nay, none. Trustee Tubandt was absent.

Mr. Logel reviewed the previously submitted memorandum to all Board members regarding the recommendation to accept the contract as complete for Units 8 & 9 Environmental Compliance Modifications. At the December 20, 2007, Board meeting, a contract was awarded to AZCO, Inc. for Units 8 & 9 Environmental Compliance Modifications to make the Power Plant compliant with CAIR. The general scope of this contract was to install equipment, purchased for

the project by MP&W, on Units 8 & 9. There were three Contract Change Orders totaling \$184,364.94, which include \$52,500 for early completion bonus payments, as specified in the contract, and \$47,455 for work that was deducted from equipment suppliers' contracts. A number of the additional Work Change Directives (WCDs) were issued to make modifications to facilitate the installation of the equipment furnished under other contracts, incorporate equipment supplier design changes, and for items not documented in the specifications. Some of the major items included furnishing and installing access platforms and duct access doors, field wiring changes, and ash deflector plate modifications at duct expansion joints. The contract awarded amount was \$1,993,851.00 and with the approval of the Contract Change Orders the contract amount will be \$2,178,215.94. Work covered by this contract has been completed and checked out by staff and found to be in accordance with the specifications.

After discussion and review the following resolutions were submitted.

#### **RESOLUTION 08-32**

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on December 20, 2007 awarded a contract to AZCO, Inc. in the amount of \$1,993,851.00 for Units 8 & 9 Environmental Compliance Modifications; and,

WHEREAS, Contract Change Orders 1, 2 and 3 have been prepared to said contract in the amount of \$184,364.94 and said Contract Change Orders were reviewed by the Board and the Board's staff has recommended approval of said Contract Change Orders 1, 2 and 3; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees that said Contract Change Orders 1, 2 and 3 in the total amount of \$184,364.94 be and the same were hereby approved for a new contract price of \$2,178,215.94.

Trustee Axel moved, seconded by Trustee Carlson, that said resolution be passed, approved, and adopted on this 25<sup>th</sup> day of September, 2008. Trustees Ingstad, Heidbreder, Axel, and Ingstad voted aye. Voting nay, none. Trustee Tubandt was absent.

#### **RESOLUTION 08-33**

WHEREAS, it appears in a written report from Board's staff that the contract with AZCO, Inc. for Units 8 & 9 Environmental Compliance Modifications in the final amount of \$2,178,215.94 has been substantially completed in accordance with the project 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 Units 8 & 9 Environmental Compliance Modifications 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 and subject to receipt of the Operations and Maintenance Manual for the project.

Trustee Heidbreder moved, seconded by Trustee Carlson, that said resolution be passed, approved, and adopted on this 25<sup>th</sup> day of September, 2008. Trustees Ingstad, Heidbreder, Axel, and Ingstad voted aye. Voting nay, none. Trustee Tubandt was absent.

The next agenda item introduced by Mr. Logel was a Priority Issue Presentation regarding Generation Assets. Mr. LoBianco introduced Mike Avesing, Manager Generation, to present a review of activities regarding the Priority Issue: Maintain and Optimize the Efficiency of the Electric and Steam Generation Assets in Order to Maintain Electric Rates At or Near Current Levels.

Mr. Avesing stated that strategies to support the priority issue were developed by the team and include: containment/reduction of scheduled outage duration and minimizing forced outages and improve efficiencies (heat rate). Mr. Avesing explained that the reliability and efficiency of the generating units can have a significant impact on the Electric Utility's net income. The presentation provided a summary of initiatives employed to accomplish the strategies. These initiatives have helped the Utility realize continued high levels of unit reliability and efficiency. The efforts have resulted in a number of reliability and efficiency enhancements and the opportunity to move from a 12 month to an 18 month scheduled outage interval for Unit 9 which will favorably impact the Utility's net income. With an 18 month outage interval the Utility will realize savings through a decrease in required purchases of replacement energy and additional wholesale energy revenue. Mr. Avesing discussed some other opportunities that the plant is looking into to increase efficiency even more. This completed the presentation.

Mr. Logel introduced the fact that The Energy Independence and Security Act of 2007, which was signed into law on December 19, 2007, just added four new PURPA standards and a fifth standard which is not a PURPA standard but is similar in some respects. They are: Integrated Resource Planning, Rate Design Modifications to Promote Energy Efficiency Investments, Consideration of Smart Grid Investments, Smart Grid Information, and Additional Incentives for Recovery, Use, and Prevention of Industrial Waste Energy. Staff will be following the same steps in considering these standards as was followed for the 2005 standards, including conducting public hearings and making recommendation to the Board for declining or implementing each standard. Consideration of the first four new standards must begin before December 19, 2008 and be complete by December 19, 2009. The fifth non-PURPA standard does not have to be considered until a request is received by the Utility from a project sponsor and presumably reconsidered for each such request thereafter. Mr. Logel told the Board that they will be receiving more information on this subject at future meetings.

Mr. Logel stated that the schedule for Strategic Planning for the Utility has been set. The plan will be reviewed and updated; the Board is invited to participate in any sessions that they wish.

Next Mr. Logel asked Mr. Kerker to review the Audit/Finance Committee meeting held on Friday, September 26<sup>th</sup>. Mr. Kerker reminded the Board that at the July 29, 2008 Board of



Trustees meeting, as recommended by the Audit/Finance Committee and management, the Board affirmed the engagement of Virchow Krause & Company, LLP (VK) for the 2008 audit. Russ Hissom from VK was at the Utility on Friday and reviewed the presentation that was included in the information to the Board. The presentation required no action by the Board, it was an overall review of information and details that VK is required to communicate to those charged with governance. VK will be scheduled to review the results of the audit at the March 2009 Board Meeting.

Mr. Logel informed the Board that a Utility water project (WD070121) that the Board had approved at a cost of \$69,200 was anticipated to come in at cost significantly above what was approved. This project involves replacing obsolete controls on two water wells with variable frequency drives which reduce electrical consumption. The economic payback will be achieved in three years on this project. A revised project will be submitted for the Board's approval at the October meeting.

The July financial operating statements and balance sheets for the Electric, Water, and Communications Utilities were presented to the Board of Trustees as previously submitted in written form to all Board members. Mr. Logel asked Mr. Kerker to present the financial highlights.

Mr. Kerker advised that all three utilities were doing well compared to budget. The Electric Utility experienced wholesale sales through August with a 15.3% higher average sales price, which was somewhat offset by native system sales being lower than expected and on the expense side because a greater amount of coal was burned at a higher average cost, along with higher than budgeted diesel fuel usage. The Water Utility Sales were lower due to lower consumption by contract, residential and commercial customers, resulting in \$77,604 lower revenue. The Communications Utility cable revenue was higher than anticipated due to more HDTV subscribers, along with greater buys in pay-per-view and VOD, and ad insertion revenues being higher than budgeted.

Trustee Heidbreder moved, seconded by Trustee Carlson, to receive and place on file the August financial operating statements and balance sheets for all Utilities. Motion carried. All Trustees present voted aye.

The monthly Competitive Quotes for Public Improvement report was presented as previously submitted to all Board members. There was one project during August which competitive quotes were received and that was for structure painting for Units 8 & 9. The project approved amount was \$100,000, three quotes were received and the bid, in the amount of \$94,088, from Terry and Sons Painting Contractors was accepted. It was recommended that the Board approve the competitive quote report.

Trustee Axel moved, seconded by Trustee Heidbreder to approve the August Competitive Quotes for Public Improvement report. Motion carried. All Trustees present voted aye.

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

Trustee Heidbreder moved, seconded by Trustee Ingstad that the meeting be adjourned. The meeting stood adjourned at 6:50 p.m.

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

A handwritten signature in black ink, reading "Donald W. Kerker". The signature is written in a cursive, flowing style.

Donald W. Kerker  
Board Secretary