

**PUBLIC HEARINGS OF THE
BOARD OF WATER, ELECTRIC AND
COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
APRIL 24, 2007**

The Board of Trustees conducted two public hearings at Muscatine Power and Water's Administrative Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, April 24, 2007.

The roll was called and the following Trustees were present: Trustees Joan Axel, Warren Heidbreder, and Doyle Tubandt. Trustee Scott Ingstad arrived at 5:28 p.m. and Trustee Don Mead was absent.

Also present were Mr. Jay D. Logel, General Manager of Muscatine Power and Water; Mr. Duane J. Goedken, Board Attorney; Mr. Donald W. Kerker, Board Secretary; Messrs. Ray Danz, Gary Wieskamp, Mike Avesing, David Fyffe, and Meses. Erika Cox and Ann Jones of MP&W management.

The purpose of the hearings was to receive any written or oral comments regarding Units 7 and 8 Traveling Screen Wash Pump, Motor, and Variable Frequency Drive Project and the Public Utility Regulatory Policies Act (PURPA) Interconnection and Time-Based Metering and Communications Standards.

At 5:26 p.m., the Secretary opened a public hearing for Units 7 and 8 Traveling Screen Wash Pump, Motor, and Variable Frequency Drive project

Chairperson Axel asked Secretary Kerker if any written or oral comments had been received regarding the Units 7 and 8 Traveling Screen Wash Pump, Motor, and Variable Frequency Drive Project and the Secretary replied that no comments had been received. The Chairperson asked the Secretary if publication of 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 07-19

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, has given tentative approval to plans and specifications for Units 7 and 8 Traveling Screen Wash Pump, Motor, and Variable Frequency Drive Project; and,

WHEREAS, bids have been received and there were 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 Units 7 and 8 Traveling Screen Wash Pump, Motor, and Variable Frequency Drive project be adopted.

Trustee Heidbreder moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted this 24th day of April 2007. On roll call Trustees Axel, Heidbreder, and Tubandt voted aye. Voting nay, none. Trustees Ingstad and Mead were absent.

The Secretary closed the hearing.

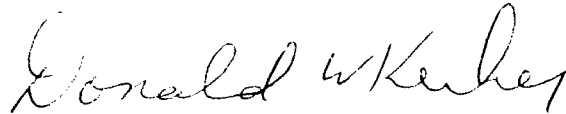
At 5:28 p.m., the Secretary opened a public hearing pursuant to the 2005 Energy Policy Act requiring Muscatine Power and Water to commence a proceeding on or before August 8, 2006 to consider adopting two new Public Utility Regulatory Policies Act standards; Interconnection, and Time-Based Metering and Communications. Muscatine Power and Water published notices on August 2, 2006 and September 6, 2006 in the Muscatine Journal soliciting written and/or oral comments from the public at the October 4, 2006 public hearing. A public hearing was conducted at Muscatine Power and Water on October 4, 2006 to receive and record citizens' comments. No written or oral comments were received at the hearing.

Staff has completed the review of these two standards and made recommendations on the proposed standards for the Board of Trustees' consideration. Muscatine Power and Water published a legal notice on April 5, 2007 in the Muscatine Journal notifying the public of the opportunity to review staff's proposed recommendations and the public hearing on the recommendations.

Chairperson Axel asked Secretary Kerker if any written or oral comments had been received regarding the Public Utility Regulatory Policies Act (PURPA) Interconnection and Time-Based Metering and Communications Standards, and the Secretary replied that one telephone inquiry was received regarding the PURPA Time-Based Metering Standard and no written comments had been received regarding the standards. The Chairperson asked if anyone in attendance wished to make any comments regarding the standards. There were no comments.

The Secretary closed the hearing.

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



Donald W. Kerker
Board Secretary

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
APRIL 24, 2007 — 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, April 24, 2007, at 5:30 p.m., CDT.

Chairperson Axel called the meeting to order. Members of the Board were present as follows: Trustees Joan Axel, Warren Heidbreder, Scott Ingstad, and Doyle Tubandt. Trustee Don Mead arrived at 5:50 p.m.

Also present were Mr. Jay D. Logel, General Manager of Muscatine Power and Water; Mr. Duane J. Goedken, Board Attorney; Mr. Donald W. Kerker, Board Secretary; Mr. Charles Potter, KWPC/KMCS Radio Station; Messrs. Ray Danz, Gary Wieskamp, Mike Avesing, David Fyffe, and Mses. Erika Cox and Ann Jones of MP&W's management. Ms. Jennifer Meyer, Muscatine Journal, arrived at 5:35 p.m.

Chairperson Axel asked if there were any comments from the public. There were no comments.

The minutes of the March 29, 2007, public hearings and regular meeting were presented as previously submitted to all Board members in written form. The Board's Audit/Finance Committee March 29, 2007 meeting minutes were also submitted to the Board of Trustees in written format.

Trustee Ingstad moved, seconded by Trustee Heidbreder, that the March 29, 2007 public hearings and regular meeting minutes be approved as submitted, and the March 29, 2007 Audit/Finance Committee minutes be received and placed on file. Motion carried. All Trustees present voted aye.

The list of expenditures and transactions for March was presented as previously submitted to all Board members in written form. General discussion was conducted on the March expenditures.

After review and discussion of the expenditures, Trustee Tubandt moved, seconded by Trustee Ingstad, to ratify payment of \$7,537,212.20 for the Electric Utility, \$283,621.62 for the Water Utility, and \$687,834.45 for the Communications Utility. Motion carried. All Trustees present voted aye.

Mr. Logel reviewed the previously submitted memorandum to all Board members pertaining to the bid evaluation and recommendation to reject all bids received for Units 7 and 8 Traveling Screen Wash Pump, Motor, and Variable Frequency Drive Project. Two bids were received and publicly opened on March 29, 2007 in the amounts of \$49,064.64 and \$60,219.96. The published estimate for this project was \$38,700. Staff reviewed the bids and established conformance to the project specifications. It was staff's recommendation that all bids be rejected because the bids were significantly above the estimate and would cause the overall project to exceed the approved budget project amount.

After discussion and review the following resolution was submitted.

RESOLUTION 07-20

WHEREAS, bids were received on March 29, 2007, for Units 7 and 8 Traveling Screen Wash Pump, Motor and Variable Frequency Drive Project; and,

WHEREAS, said bids have been evaluated by the Board's staff and based upon staff's recommendation, the Board has determined that it would be in the best interest of the citizens if the said bids were rejected; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that the bids received on March 29, 2007 for Units 7 and 8 Traveling Screen Wash Pump, Motor, and Variable Frequency Drive Project be rejected and all bidders be informed of this action.

BE IT FURTHER RESOLVED, that the bid security be returned to all bidders; and,

Trustee Ingstad moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted this 24th day of April 2007. On roll call Trustees Axel, Heidbreder, Ingstad, and Tubandt voted aye. Voting nay, none. Trustee Mead was absent.

Mr. Logel stated that the next meeting topic pertained to the Public Utility Regulatory Policies Act of 1978 (PURPA), and asked Mr. Ray Danz, Director of Operations, to review this issue.

Mr. Danz reviewed the previously submitted memorandum to all Board members and the proposed PURPA standards for the Board's consideration. The Energy Policy Act was signed into law August 2005 and among the provisions of this Act were five new PURPA standards. These five standards applied to utilities with total annual electric retail sales greater than 500,000,000 kilowatt-hours, which included Muscatine Power and Water. The first two standards were Interconnection, and Time-Based Metering and Communications and must be addressed by August 8, 2007. The Board of Trustees may implement or decline to adopt the standards, but must state in writing the reason for the decision. The other three standards will be addressed later this year for completion by August 2008.

At the Board's direction a public hearing was conducted to gather citizens' input regarding the two standards. Two notices were published in the local newspaper advising of the public hearing on October 4, 2006. No written or public comments were received regarding the two standards. A copy of the Court Recorder's transcript was enclosed with the memorandum to the Board. Mr. Danz provided a brief review of each standard.

The Interconnection Standard established criteria for the safe, effective, and reliable parallel operation of non-utility owned generation facilities. Muscatine Power and Water developed a document, entitled Cogeneration and Small Power Production Policy and the Board of

Trustees approved it in 1982 in connection with PURPA 1978. The policy was revised in 1987 and in 2000 the Board approved the Facilities Connection Requirement document, which incorporated the Cogeneration Interconnection Requirements document. The Facilities Connection Requirement document described what non-utility facilities must do to safely and reliably connect generation assets to MP&W's electric system while meeting the reliability standards established by the Mid-Continent Area Power Pool (MAPP), now the Midwest Reliability Organization (MRO) and the North American Reliability Council, now the North American Electric Reliability Corporation (NERC). MP&W's General Manager was authorized by the Board to approve minor modifications to the Facilities Connection Requirement document to ensure the documentation remained in compliance with the reliability standards.

After review of the new PURPA Interconnection Standard staff recommended that the Board of Trustees take action to rescind the 1982 Cogeneration and Small Power Production Policy and the 1987 revision of this document and to approve continued application of the existing Facilities Connection Requirements and the Cogeneration Interconnection Requirements documentation.

The second PURPA standard pertained to Time-Based Metering and Communications. Mr. Danz continued that MP&W first considered time-based rates in 1981 as a requirement of the 1978 PURPA requirements and determined not to implement time-based rates. Since 1981 there has been little interest expressed by residential customers for time-based rates. MP&W has sought to determine the interest level of its existing major industrial customers in interruptible rates but found virtually no interest due to their very high electric load factors and the unwillingness to interrupt production processes (approximately seventy percent of the retail customers were industrial and the overall retail load factor was approximately seventy-five percent). There have been some limited inquiries expressed by prospective industrial customers regarding interruptible rates. Based on the recently completed Power Supply Study MP&W expects to have excess generating capacity beyond 2020. MP&W has favorable coal and coal transportation agreements and, coupled with favorable heat rates on its generating units, the Electric Utility has very competitive energy production costs. There was little opportunity to purchase wholesale power at prices equal to or below MP&W's variable production costs; therefore, offering time-based rates or installing time-based metering under these conditions appeared to be of little benefit to the Utility or our customer/owners. It was staff's recommendation that the PURPA standard for time-based metering and communications not be implemented by the Board of Trustees.

In conclusion it was recommended that the Board of Trustees reaffirm its decision for continued application of the Facilities Connection Requirement and Cogeneration Interconnection documentation, to rescind the 1982 Cogeneration and Small Power Production Policy and the 1987 version of this policy, and to decline the adoption of PURPA Title 1, Section 111 (d) for time-based metering and communications standard at this time due to few if any benefits to be realized from the installation and the high cost of implementation of time-based metering.

After further review and discussion on the PURPA standards, Trustee Ingstad moved, seconded by Trustee Tubandt to reaffirm the continued application of Muscatine Power and Water's Facilities Connection Requirement and the Cogeneration Interconnections documentation to meet the intent of PURPA Title 1, Section 111 (d) for Interconnections, to rescind the 1982 Cogeneration and Small Power Production Policy and the 1987 revision of this documen-

tation, and to decline to adopt PURPA Title 1, Section 111 (d) for Time-Based Metering and Communications standard and authorize the Board Chairperson to execute Muscatine Power and Water standards for inclusion with the meeting minutes. Motion passed. All Trustees voted aye.

Mr. Logel asked Mr. Gary Wieskamp, Director of Utility Relations, to review the 2006 annual report. Mr. Wieskamp stated the annual report theme was "Serving by Design" and he distributed copies of the annual report to the Board of Trustees. Muscatine Power and Water was a municipal utility with customer service as its primary direction. The Board's Audit/Finance Committee reviewed the financial data in electronic format prior to the printing of the report. The annual report will be distributed to financial and business leaders with a condensed version mailed to all customers with their monthly MP&W statement. The Board of Trustees recognized Mr. Wieskamp and his staff for the great annual report.

Trustee Mead moved, seconded by Trustee Ingstad, to receive and place on file the 2006 annual report. Motion carried. All Trustees voted aye.

Mr. Logel reviewed a previously submitted memorandum to all Board members regarding a request for water service outside the city limits. A written request for water service outside the city limits was received from Mr. C.J. Ellis, Jr. for his residence at 1971 North Mulberry Road. The property was located just south of Hummingbird Lane and adjacent to Muscatine Power and Water's six-inch water main that served Mulberry Manor subdivision. The homeowner will pay all expenses for connection to the water main.

The single residence will not impact the Board's water system and it was staff's recommendation that the Board of Trustees approve the water service request for 1971 North Mulberry Road.

Trustee Ingstad moved, seconded by Trustee Mead, to authorize water service outside the city limits for C. J. Ellis, Jr. at 1971 North Mulberry Road. Motion carried. All Trustees voted aye.

Mr. Logel reviewed the previously submitted memorandum to all Board members pertaining to the recommendation for contract acceptance. There was an error in the subject line of the memorandum, in that, it should read contract acceptance and not contract award. At the March 2006 Board of Trustees meeting a contract was awarded to Boiler Tube Company of America for Unit 9 Low Temperature Superheater Upper Assembly – Material Procurement Project. At the May 2006 Board meeting a Contract Change Order in the amount of \$68,572 was approved for material cost escalation, additional tube shields, and random shop radiography of the tubes. Material purchased by this contract has been fabricated, delivered, inspected by staff and found to be in accordance with the project specifications. It was staff's recommendation that the contract be accepted as complete in the final amount of \$486,692. The total project approval amount of \$1,400,000 included the installation portion of the project also.

After discussion and review the following resolution was submitted.

RESOLUTION 07-21

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, at the March 30, 2006 meeting awarded a contract to Boiler Tube Company of America in the amount of \$418,120.00 for Unit 9 Low Temperature Superheater Upper Assembly – Material Procurement Project; and,

WHEREAS, the Board of Trustees approved Contract Change Order #1 in the amount of \$68,572.00 at the May 24, 2006 Board meeting for the Unit 9 Low Temperature Superheater Upper Assembly – Material Procurement Project for a Boiler Tube Company of America contract amount of \$486,692.00; and,

WHEREAS, it appears in a written report from the Board's staff that the contract with Boiler Tube Company of America for Unit 9 Low Temperature Superheater Upper Assembly – Material Procurement Project in the final amount of \$486,692.00 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 Unit 9 Low Temperature Superheater Upper Assembly – Material Procurement Project 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 Tubandt, that the said resolution should be passed, approved, and adopted on this 24th day of April 2007. On roll call Trustees Axel, Heidbreder, Ingstad, Mead, and Tubandt voted aye. Voting nay, none.

Mr. Logel reviewed the previously submitted memorandum to all Board members regarding a recommendation for final acceptance of the AZCO, Inc. contract. At the December 21, 2006 Board of Trustees meeting a contract in the amount of \$569,575.00 was awarded to AZCO, Inc. for Unit 9 Low Temperature Superheater Upper Assembly Replacement Project. The work was a critical path item for completion of Unit 9 spring maintenance outage; therefore, the contract contained provisions for liquidated damages and bonuses. If the contractor failed to complete the work on schedule a penalty of \$15,000 per day up to ten percent of the contract amount would be charged against the contract. If the contractor completed the work ahead of schedule a bonus of \$15,000 per day up to a \$45,000 cap was awarded to the contractor. The contractor completed the work three days early, which allowed Unit 9 to be back on-line three days early, and the contractor to qualify for the \$45,000 bonus.

The work covered by this contract has been completed, inspected by staff, and found to be in accordance with the project specifications. A contract change order was issued for additional work throughout the project including cutting and prepping tube ends to accommodate the modification of connection points, reinstallation of a gas distribution baffle not shown on the

project drawings, credit for a light replacement, and the early completion bonus for a total Contract Change Order amount of \$67,941.74.

It was staff's recommendation that the contract change order be approved and the contract accepted as completed in the final amount of \$637,516.74. After discussion and review the following resolutions were submitted.

RESOLUTION 07-22

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on December 21, 2006, awarded a contract to AZCO, Inc. in the amount of \$569,575.00 for Unit 9 Low Temperature Superheater Upper Assembly Replacement Project; and,

WHEREAS, a Contract Change Order has been prepared to said contract in the amount of \$67,941.74 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 amount of \$67,941.74 be and the same was hereby approved for a final contract price of \$637,516.74.

Trustee Mead moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted on this 24th day of April 2007. On roll call Trustees Axel, Heidbreder, Ingstad, Mead, and Tubandt voted aye. Voting nay, none.

RESOLUTION 07-23

WHEREAS, it appears in a written report from the Board's staff that the contract with AZCO, Inc. for the Unit 9 Low Temperature Superheater Upper Assembly Replacement Project in the final amount of \$637,516.74 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 Unit 9 Low Temperature Superheater Upper Assembly Replacement Project completed 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 Tubandt moved, seconded by Trustee Ingstad, that the said resolution should be passed, approved, and adopted on this 24th day of April 2007. On roll call Trustees Axel, Heidbreder, Ingstad, Mead, and Tubandt voted aye. Voting nay, none.

In the General Manager's report, Mr. Logel reviewed his previously submitted memorandum to all Board members. The North American Electric Reliability Corporation (NERC) has been designated by the Federal Energy Regulatory Commission (FERC) to establish reliability standards for the electric utility industry throughout the United States. To ensure that the electric utilities were compliant with the reliability standards, NERC representatives conduct readiness and compliance audits. Muscatine Power and Water on April 11 and 12, 2007 successfully completed a compliance audit. Over the last few years MP&W has successfully completed three compliance and one readiness audits. Mr. Logel recognized Mr. Ray Danz, Mr. John Stolley, Manager of System Control, and Mr. Tim Reed, Manager of Engineering and Construction, and their staffs for the time and effort contributed to this work.

Unit 9 was off-line most of the month of March for the spring maintenance outage. As discussed previously this evening the low temperature superheater upper assembly was replaced during the outage. In addition to the routine maintenance and inspection of Unit 9, both booster fans were repaired. No major mechanical failures were found and the outage was completed three days ahead of schedule.

Mr. Logel advised that a formal request has been received from Lutheran Homes Society's Board President regarding their water main located outside the city limits from the Lutheran Homes facilities to the Highway 61 Bypass and Hershey Avenue intersection. Lutheran Homes Board has requested that the water main ownership be conveyed to Muscatine Power and Water. The Iowa Department of Transportation (IDOT) has notified the Lutheran Homes Board that the ten-inch water main must be relocated due to highway construction at the Hershey Avenue intersection. IDOT will not reimburse water main owners for the relocation costs if the water main was located in the highway right-of-way. Management was investigating this issue and further information will be presented to the Board of Trustees at the May meeting. The Board's water main was also affected by this highway construction project which will result in an expenditure of several hundred thousands of dollars for Muscatine Power and Water.

Mr. Logel stated that the Board's Personnel and Public Relations Committee will meet May 21 to review the 2007 Salary Administration Program adjustment recommendations prior to a presentation at the May Board meeting.

This concluded Mr. Logel's report unless there were questions for him or management.

The Year-To-Date and March financial operating statements and balance sheets were presented as previously submitted to all Board members in written form. Mr. Kerker reviewed the first quarter reports and the monthly financial statements for all three utilities. All Utilities were operating near or better than budget levels. Also included for the Board members' information was the Quarterly Investment Report, which was previously submitted to all Board members in written form.

Trustee Ingstad moved, seconded by Trustee Heidbreder, that the Year-to-Date and March financial operating 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 voted aye.

The Quarterly Project Status Report was presented as previously submitted in written form to all Board members. There were three projects completed under budget by more than ten percent. The Generation five-year fire protection projects were completed at a cost of \$2,276,994 and the approved budget amount was \$3,270,000. The main reasons for the under budget amount were consolidation of projects, elimination of projects, and lower than expected contract costs. Units 7, 8, and 9 data control system (DCS) has been postponed until 2008 to obtain the latest software; therefore, the project will be resubmitted for the 2008 Operating Budget. The installation of three on-line dissolved gas monitors for Unit 9 critical transformers were obtained at a lower cost than anticipated.

Trustee Heidbreder asked about the coal unloading tunnel status. Mr. Mike Avesing, Manager of Generation, advised that the consulting engineering firm was completing a study on the feasibility of encapsulating the tunnel in concrete. The cost to construct a new tunnel would be several millions of dollars. With the rains and the increased ground water level, the tunnel leakage/seepage has increased.

After discussion, Trustee Ingstad moved, seconded by Trustee Tubandt, to approve the Quarterly Project Status Report and Variance Analysis as previously submitted to all Board members. Motion carried. All Trustees voted aye.

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. Logel asked each critical issue leader to review the status of the issue, and Mr. Kerker to review the key performance indicators. The critical issues reviewed included: the culture of Utility efficiency, fuel and fuel transportation costs, generation efficiency, the status of wholesale energy sales, the Communications Utility operational review status, employee relations and health initiatives, customer/employee and legislature communications, workforce/succession planning process, and the A/O Center space requirements.

Mr. Kerker stated that for the Electric Utility indicators have been provided for net income per revenue dollar, revenue per kilowatt-hour, total production expense per kilowatt-hour sold, debt service coverage, net debt, the average service availability index, and the customer average interruption duration index. For the Water Utility indicators were included in the Board's meeting material for the net income per revenue dollar, revenue per one thousand gallons, total chemical and pumping power expense per one thousand gallons sold, and water bonding capacity. For the Communications Utility the indicators provided were net income per revenue dollar, monthly revenue and programming expense per cable television subscriber, monthly revenue and access charges per Internet subscriber, and network reliability. Mr. Kerker reviewed each indicator. The last indicator pertained to safety for all three utilities.

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

The Competitive Quotes for Public Improvements Report was previously submitted to all Board members in written format. There was one item on the report for Unit 9 Environmental Compliance Project. Four bids were received and five sets of plans and specifications were submitted to various vendors. The budget amount for this project was \$6,775,380 with

\$1,600,000 designated for this portion of the project. The Combustion System Modifications quote from Alstom Power, Inc. in the amount of \$1,226,530 was recommended for Unit 9 Environmental Compliance Project.

Trustee Mead moved, seconded by Trustee Tubandt, to approve the Competitive Quotes for Public Improvements Report. Motion carried. All Trustees voted aye.

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

Trustee Tubandt moved, seconded by Trustee Mead, to close the meeting to the public in accordance with Iowa Code Section 21.5(1.i) for the purpose of reviewing the General Manager's performance. Mr. Jay Logel, General Manager of Muscatine Power and Water, had requested his performance be reviewed in a closed session. On roll call vote the meeting was closed to the public at 7:10 p.m. Trustees Axel, Heidbreder, Ingstad, Mead, and Tubandt voted aye. Voting nay, none.

The meeting was reconvened to open session and adjourned at 8:25 p.m.

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



Donald W. Kerker
Board Secretary



EPAct 2005 Amendment of PURPA



Muscatine Power & Water Consideration of PURPA Title 1, Section 111(d), Interconnection

Issued April 24, 2007

Preface

The Energy Policy Act of 2005 (EPAct 2005) was signed into law on August 8, 2005. Among the many provisions of this federal legislation were five new federal standards amending the Public Utility Regulatory Policies Act of 1978 (PURPA).

One of these new standards is found in Section 1254 of EPAct 2005 and is entitled "Interconnection". This standard, which can also be found in Title 1, Section 111(d) of PURPA and is commonly referred to as Standard 15, provides that all state utility commissions and utilities must consider and make a determination whether to adopt the standard.

Muscatine Power and Water (MP&W) is obligated to consider Standard 15 as this standard applies to utilities with total annual retail sales greater than 500,000,000 kilowatt-hours.

Pursuant to EPAct 2005, MP&W was required to commence a proceeding on or before August 8, 2006, to consider adopting this standard. MP&W issued two publications (August 2, 2006 and September 6, 2006 editions of the Muscatine Journal) to solicit written comment from the public. A public hearing was held at MP&W's A/O Center on October 4, 2006 to solicit oral comment. In both cases, no comments were received. MP&W is required to commence a proceeding on or before August 8, 2007, to consider adopting these standards.

Consideration

On May 11, 1982, the Board approved a Cogeneration and Small Power Production Policy developed by staff, which establishes criteria for the safe, effective, and reliable parallel operation of non-utility owned generation facilities within the Utility service area. This document was designed to comply with the Public Utility Regulatory Policies Act of 1978 and all state and federal regulatory agencies. The policy was revised on May

26, 1987 to more fully address the ramifications of cogenerators and small power producers. In this policy, reference is made to another document entitled Cogeneration Interconnection Requirements. This document contains engineering details that can be modified by staff as required, without Board approval.

On October 31, 2000, the Board approved a Facilities Connection Requirement Document developed by staff that describes what others must do to safely and reliably connect generation assets to MP&W's electric system. This document is intended to meet the on-going reliability standards set by the Mid-Continent Area Power Pool (MAPP), now the Midwest Reliability Organization (MRO), and the North American Reliability Council, now the North American Electric Reliability Corporation (NERC). The General Manager is authorized by the Board to approve minor modifications to the document to ensure it remains in compliance with these standards. This document was intended to rescind the 1982 Cogeneration and Small Power Production Policy and its 1987 revision. Unfortunately this did not occur, which caused contradictions of interconnection requirements.

As a result of increasing interest in small renewable generation resources such as solar and wind, staff has inserted a new section in this document that specifically addresses 10 kW or smaller generation assets. The new section will be more easily understood by those requesting permission to install and interconnect such equipment.

After review of the new PURPA Interconnection Standard, staff recommends the Board rescind the 1982 Cogeneration and Small Power Production Document and its 1987 revision and approve continued application of the existing Facilities Connection Requirements Document and the Cogeneration Interconnection Requirements document.

Approved:


Board Chairperson

Date: _____



EPAct 2005 Amendment of PURPA



Muscatine Power & Water Consideration of PURPA Title 1, Section 111(d), Time-Based Metering and Communications

Issued April 24, 2007

Preface

The Energy Policy Act of 2005 (EPAct 2005) was signed into law on August 8, 2005. Among the many provisions of this federal legislation were five new federal standards amending the Public Utility Regulatory Policies Act of 1978 (PURPA).

One of these new standards is found in Section 1252 of EPAct 2005 and is entitled “Time-Based Metering and Communications”. This standard, which can also be found in Title 1, Section 111(d) of PURPA and is commonly referred to as Standard 14, provides that all state utility commissions and utilities must consider and make a determination whether to adopt the standard.

Muscatine Power and Water (MP&W) is obligated to consider Standard 14 as this standard applies to utilities with total annual retail sales greater than 500,000,000 kilowatt-hours.

Pursuant to EPAct 2005, MP&W was required to commence a proceeding on or before August 8, 2006, to consider adopting this standard. MP&W issued two publications (August 2, 2006 and September 6, 2006 editions of the Muscatine Journal) to solicit written comment from the public. A public hearing was held at MP&W’s A/O Center on October 4, 2006 to solicit oral comment. In both cases, no comments were received.

MP&W is required to commence a proceeding on or before August 8, 2007, to consider adopting these standards.

Consideration

In 1981, the Utility was required to consider time-based rates under the PURPA provisions. The Final Order adopted by the Board of Trustees on November 17, 1981 addressed Time of Day, Seasonal, and Interruptible Rates. The position adopted by the Board at that time contemplated very little interest from its customers for those types of rates into the foreseeable future. The Utility had considerable excess generating capacity at that time and the wholesale energy market was priced below the Utility’s variable production cost. As a result of the Utility’s obligation to an expensive take or pay long-term coal contract, there was no incentive for the Utility or benefit to its customers to offer time-based rates.

Since 1981, there has been little interest expressed by customers for time-based rates. There has been limited interest expressed on the part of prospective large industrial customers in interruptible rates. In recent years, the Utility has sought to determine the interest level of its existing major industrial customers in interruptible rates, but has found there is virtually no interest due to their very high load factors and unwillingness to interrupt their production processes.

Based on a recent Power Supply Study, the Utility expects to have excess generating capacity beyond 2020. The Utility currently has favorable coal and coal transportation agreements through 2009. Coupled with favorable heat rates on its generating units the Utility has very competitive energy production costs. There is little opportunity to purchase wholesale power at prices equal to or below its variable production costs. Approximately 70% of the Utility's retail customers are industrial and the overall retail load factor is approximately 75%. Offering time-based rates or installing time-based metering under these conditions appears to be of little benefit to the Utility or our customer owners. The Utility remains interested and open to advanced technology that would benefit its customers and will continue to monitor such advancements.

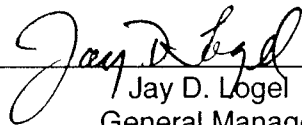
This standard will not be implemented by the Utility at this time.

Approved: 
Board Chairperson

Date: _____

CERTIFICATION FOR RECORDS

It is my understanding that my performance, as an employee of Muscatine Power and Water, is to be discussed by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa in their meeting on April 24, 2007. I hereby request that such discussion be conducted in closed session in accordance with Chapter 21.5(1i) of the Code of Iowa.



Jay D. Logel
General Manager