

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

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

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/KWCC Radio Station; Ms. Jennifer Meyer, Muscatine Journal; Messrs. Ray Danz, Sal LoBianco, Terry Curry, and Mses. Erika Cox, Brandy Dulceak, and Ann Jones of MP&W were also present.

Chairperson Heidbreder asked if there were any public comments. There were no comments. Mr. Logel introduced Ms. Brandy Dulceak to the Board members. Ms. Dulceak was the newly hired Staff Attorney.

The minutes of the September 25, 2007, regular meeting were presented as previously submitted in written form to all Board members. Also the October 9, 2007, Board's Audit/Finance Committee meeting minutes were presented as previously submitted in written form to all Board members.

Trustee Axel moved, seconded by Trustee Mead, to approve the September 25, 2007 Board meeting minutes as submitted and to receive and place on file the October 9, 2007 Audit/Finance Committee meeting minutes. Motion carried. All Trustees voted aye.

The list of expenditures and transactions for September was presented as previously submitted in written form to all Board members. Trustee Tubandt moved, seconded by Trustee Ingstad, to ratify payment of \$5,718,240.97 for the Electric Utility, \$358,914.32 for the Water Utility, and \$579,677.51 for the Communications Utility for a total amount of \$6,656,832.80. Motion carried. All Trustees voted aye.

Mr. Logel reviewed the previously submitted memorandum to all Board members pertaining to the Strategic Plan review and update. The plan was being introduced this evening to receive the Board of Trustees' comments and input. The Plan will be presented in final form at the November 27, 2007 Board meeting the Plan will be presented in final form for the Board's approval.

The Plan was a five-year look at each Utility. The tools utilized by Mr. Logel and the Directors to update/revise the Plan were the results of the annual residential customer survey, an internal employee survey, and the quarterly indicators for key performance and critical issues. The review also included the mission statement, financial guidelines for each Utility, strengths and weaknesses, opportunities and threats, and vulnerabilities and competitors.

The critical issues were updated to reflect current issues. In addition to the five critical issues developed, four priority items have been included in the proposed Plan. Mr. Logel reviewed the critical and priority issues with a PowerPoint presentation. The critical issues were:

Effectively manage the impact of our operation on air quality, giving consideration to demand-side management and power supply diversity.

Continue to plan for and implement human resource activities that attract, retain, and provide for orderly succession of employees, while improving efficiency.

Renew efforts to manage the water supply so that we have a safe, economical, and adequate supply of water for the foreseeable future.

Plan for and implement the digital conversion of CATV signals in the Communications Utility.

Assure electric transmission access in order to provide for electric reliability and the opportunity to sell excess energy, including the evaluation of membership in the Midwest Independent System Operator (MISO).

and the priority issues were:

Communicate effectively with our customers, employees, legislators, and others in order to inform and gain support for our activities.

Continue to develop and demonstrate an overall culture of efficiency in the production and delivery of Utility services.

Develop and implement strategies including risk management to assure for the most economical fuel supply for electric generation.

Maintain and optimize our electric and steam generation assets including the investigation of new supply alternatives.

The critical issues were targeted for the next one to two years with the priority issues being long-term items. Discussion was conducted on the various issues. Should or does the first critical issue encompass all environmental impacts or air only; Mr. Logel stated that it was primarily air quality at this time. The second critical issue has been initiated and work force development and succession planning has started with the hiring of a Staff Attorney and the Board's Committee has met to discuss the procedure for the replacement of the General Manager. The third issue pertained to water supply and discussion was conducted on the current drought conditions in Georgia and Alabama and how MP&W would address this type of issue. Mr. Logel stated that the Water Utility, in conjunction with the USGS (United States Geological Survey), has over the years conducted surveys of the water supply. The last survey

indicated that the aquifer storage was in equilibrium due to the recharge of the aquifer by the Mississippi River and precipitation. The last study was several years old and it may be time to conduct another joint study to address the growth in the city and the increased water usage.

The Board asked if the employee survey results were available, what type of survey questions were included, how many employees participated in the survey, what were the employees' areas of interest, and was it an electronic or written survey. Mr. Logel advised that the survey results were available. Mr. Kerker stated that approximately one-third of the employee body participated in the electronic survey. Survey questions focused on the strengths, weaknesses, opportunities and threats facing the Utility as well as the critical issues included in the previous strategic plan. The survey also offered an opportunity for comments and suggestions. Employees were given the option of electronically signing the survey or filling it out anonymously.

Mr. Logel stated that no action was requested this evening, but he would appreciate any comments or input from the Board on the Plan. At the November Board meeting the Plan will be presented in final form, which will incorporate the Board's input and comments, for approval.

Previously Lutheran Homes Board representatives requested the Board of Trustees consider accepting ownership of a private water main outside the city limits from Highway 61 Bypass and Hershey Avenue intersection to the Lutheran Homes facilities. The request was made in an effort to eliminate a financial burden brought upon the Lutheran Homes as a result of an Iowa Department of Transportation (IDOT) project to construct an overpass at the intersection and the requirement to relocate the water main.

Mr. Logel continued that an agreement has been submitted to all Board members regarding the Lutheran Homes privately-owned water main. The main will be relocated and upgraded to a twelve-inch water main during the IDOT project. Lutheran Homes will be responsible for the relocation and upgrade costs. Management recommended that the Board of Trustees approve the agreement to accept ownership of the water main once it has been relocated, upgraded, and placed into service. MP&W's ownership would begin at the corporate city limits and extend to a point immediately downstream of the Bandag private water service connection point in front of the Lutheran Homes facility. The acceptance of the water main ownership will eliminate private ownership of the main that MP&W utilizes to provide water service to other customers downstream of the Lutheran Homes facilities.

Mr. Ray Danz, Director of Operations, stated that while the majority of the water main being accepted by the Board will be new, there was a small portion of existing ten-inch water main also being accepted with this agreement. The benefit of replacing the small portion of ten-inch water main containing multiple taps with a new twelve-inch water main did not outweigh the cost, and by leaving this portion of the ten-inch water main intact considerable disruption of traffic into and out of the Lutheran Homes property can be avoided.

Mr. Danz continued that the Board's policy does not allow for a fifty percent refund for the connection of new customers outside the city limits. Management recommended that the Board of Trustees waive this policy in this instance and authorize the fifty percent refund of revenues to Lutheran Homes for all customers connected and any new customers that connect to this twelve-inch water main outside the city limits. The refund would include fifty percent of the revenues produced by water sales to the Lutheran Homes, Bandag, and the Hickory Hills

Subdivision for a period of ten years not-to-exceed the cost of the installation of the water main. MP&W benefits by eliminating private ownership of a portion of the water main utilized to serve other water customers and the majority of the main will be new and require very little anticipated maintenance.

Discussion was conducted on the installation of the water main, the amount of monies to be refunded to the Lutheran Homes, and the construction schedule. Mr. Danz stated that IDOT will engage a contractor to install the new water main as a portion of the construction work. MP&W's staff will monitor the water main installation and testing to ensure the main meets public water standards. The initial ground work, removal of trees, etc., has been started and the water main construction will probably be first quarter 2008.

Trustee Axel moved, seconded by Trustee Ingstad, to authorize the General Manager to sign the agreement with Lutheran Homes accepting ownership of the relocated twelve-inch water main from the intersection of Hershey Avenue and Highway 61 Bypass to the Lutheran Homes facilities, and to refund fifty percent of revenues to Lutheran Homes from the twelve-inch water main outside the city limits for a period of ten years not-to-exceed the cost of the water main project. Motion carried. All Trustees voted aye.

The preliminary 2008 annual operating budgets for the Electric, Water, and Communications Utilities were submitted under separate cover to all Board members. Mr. Logel stated that the operating budgets were presented this evening for information and comments, and management will request approval at the November Board of Trustees meeting. Mr. Logel asked Mr. Don Kerker, Director of Finance and Administrative Services, to review the previously submitted primary drivers for each budget.

Mr. Kerker reviewed the primary budget drivers for each utility. The Electric Utility's revenue was derived from native system sales, wholesale sales, steam sales, and investment income in the projected amount of \$79,794,000 for 2008. The Electric Utility expenditure items included fuel and fuel transportation costs, the cost for labor and fringe benefits, debt service, and proposed capital items in the estimated amount of \$90,401,000. The expenditures were higher than the anticipated revenue resulting in a projected negative net cash flow in the amount of \$10,607,000 for the Electric Utility in 2008. The capital expenditures included environmental equipment and installation at an estimated cost of \$7,000,000. The 2008 Electric Utility net income was forecasted to be \$2,613,000 as compared to \$3,342,000 in the Electric Ten-Year Financial Projections presented to the Board of Trustees earlier this year. The budget did not include any price adjustments for the Electric Utility. General discussion was conducted on the Electric Utility's 2008 Operating Budget.

Discussion was conducted on the environmental expenditures for Units 8 and 9. Trustee Tubandt asked if any monies were forecasted/budgeted for additional environmental expenditures in 2009. Mr. Sal LoBianco, Director of Generation and Telecommunications, indicated that the majority of the work should be completed in 2008. Discussion was conducted on the Electric budget income, labor expense, and other items compared to the Electric primary drivers. Mr. Kerker stated that the primary drivers were based on budgeted cash flows.

Mr. Kerker reviewed the primary drivers for the Water Utility's 2008 Operating Budget. The projected revenue for 2008 was \$4,560,000 with expenditures estimated at \$5,036,000. The revenue was received from contract customers, residential and business customers, and investment income. The expenditures were projected to be more than the revenue resulting in a 2008 negative net cash flow projection of \$476,000. The expenditures included the purchase

of chemicals, proposed capital projects, the cost of labor and fringe benefits, and other operating and maintenance expenses. A couple of studies were also included in the expenditures; a cost of service study at an estimated cost of \$15,000, and a low water pressure study. The net income for the Water Utility was estimated to be \$508,000 which compared to \$405,000 in the Ten-Year Water Financial Projections. A minimal water revenue adjustment of three percent was projected for April 1, 2008.

Discussion was conducted on the methodology for calculating water pumping capacity, peak day, and reserve. The budget numbers included the projected 2008 new well at Progress Park Well Field but also indicated a capacity supply deficiency for 2008 during peak usage. The water reservoirs aid to eliminate the deficiency with the storage capacity of approximately 9,000,000 gallons. The water usage projections indicated another well would be required in 2011 but at this time the Water Utility has not acquired additional real estate for an expansion or for a new well field.

Mr. Kerker continued with a review of the budget primary drivers for the Communications Utility 2008 Operating Budget. The 2008 revenues were projected to be \$9,818,000 with expenditures estimated at \$8,389,000. The Communications Utility was projected to have a positive cash flow of \$1,420,000 in 2008 with a net income of \$227,000 compared to a net income of \$251,000 in the Ten-Year Communications Financial Projections. This was based on the proposal to forgive the interest payments to the Electric Utility on the \$35,327,000 loan.

As previously discussed with all Board members the Federal Communications Commission (FCC) ruled that it would be necessary to convert the cable television system to an all digital system. Currently the cable system consists of both analog and digital services. Recently the FCC has finalized the digital conversion guidelines and therefore the cash flow for the expenditure can now be determined by management. The 2008 budget did not include any monies for the digital conversion but it was estimated that the expenditure would be in the \$6,000,000 range and a project would be presented to the Board for approval in 2008. Management has investigated several options to fund the Communications Utility's \$6,000,000 expenditure and, after evaluation of the options, management recommended that the Board of Trustees consider the forgiveness of annual interest payments of approximately \$1,200,000 to the Electric Utility.

It was projected that programming costs would increase approximately 7.6% percent per subscriber in 2008. A cable television price adjustment of four percent was included in the Communications Budget with an effective date of September 1, 2008.

Discussion was conducted on the proposed timeframe and requirements for the digital conversion. Mr. LoBianco stated that the cable television headend would be the first area addressed in the project. This included the conversion of analog channels to digital to free up bandwidth to also enable offering of additional high definition (HD) programming and was estimated to utilize approximately \$2,200,000 of the \$6,000,000 project. The Board of Trustees asked if management had a formal strategy or plan for the digital conversion, and if not perhaps it would be best to continue paying the interest payments until all issues have been resolved. Discussion was conducted on various options for funding, potential technology within the next five years, and whether the Communications Utility should approach the financial market for financing. It was determined that a meeting should be established with the Board's Audit/Finance Committee and management to discuss these issues in further detail.

The 2008 Operating Budgets were presented for informational purposes this evening, Mr. Logel 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 the November Board meeting and will be reviewed with the Board's Audit/Finance Committee. The 2008 Electric, Water, and Communications Operating Budgets will be presented at the November 27th Board of Trustees meeting for final review and approval by the Board of Trustees. A public hearing will be conducted prior to the November Board of Trustees regular meeting to receive any public comments regarding the budgets.

Mr. Logel 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 27, 2007, at 5:26 p.m. The following resolution was submitted.

RESOLUTION 07-40

WHEREAS, the budget summary of the combined Electric, Water, and Communications Utilities was being prepared for the 2008 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 27th day of November 2007 at 5:26 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 Mead moved, seconded by Trustee Axel, that the said resolution should be passed, approved and adopted this 30th day of October 2007. On roll call Trustees Heidbreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

Mr. Logel stated that Muscatine Power and Water (MP&W) has participated in a power pool since 1976 when the Utility joined the Mid-Continent Area Power Pool (MAPP). In the last few years there have been many changes to the electric utility industry including retail deregulation in some states and the development of regional transmission operators. It was time for MP&W to further evaluate the advantages and disadvantages of being a member of a regional transmission operator. Mr. Logel asked Mr. Danz to review this issue.

Mr. Danz reviewed a previously submitted memorandum to all Board members. Earlier this year MAPP was notified by the Midwest Independent System Operator (MISO) that the seams agreement between the two parties would not be renewed January 31, 2008. The seams agreement regulated the action of MAPP and MISO to control energy flows that spill over into the other's energy market causing transmission congestion.

MP&W relies on the electric transmission grid to export energy into the wholesale market and to import replacement energy when Unit 9 was off-line. During the first nine months of 2007 MP&W has lost over 1.4 million dollars of wholesale energy sales that were sold but have been cut due to transmission congestion and the energy could not be sold elsewhere. These transmission cuts were identified as transmission line relief or TLRs. Approximately twenty percent of MP&W excess generation was never sold because transmission was not available to transport the energy. Wholesale sales were very important to the Utility in keeping the electric rates low and avoiding the need for rate increases. The ability to import energy when Unit 9 was off line was a matter of system reliability as the remaining generation units were not able to provide sufficient energy to meet the native system customers requirements.

MISO has offered MAPP members three options for joining MISO. MISO addressed transmission congestion by using "generation redispatch" rather than the TLR process used by MAPP. The generation redispatch all but ensures generation will meet the demand at some price. MISO does not offer generation redispatch to non-MISO entities, such as MAPP members.

With all the complicated issues involved with MISO and the transmission grid it was recommended that the Board approve a project to engage a consultant to evaluate MISO's options and to quantify the costs associated with the current MAPP membership as compared to the MISO options. The consultant will use a computer to model energy flows under each MISO option to determine the impact on energy transmission and the impact energy losses could have on locational marginal pricing at MP&W. The ability to deliver wholesale energy into the MISO market will also be evaluated by the consultant. The estimated cost for the study was \$95,000 and the work should be completed in eight to ten weeks.

After further review and discussion, Trustee Axel moved, seconded by Trustee Ingstad, to approve the engagement of a consultant to evaluate MISO membership at the estimated cost of \$95,000. Motion carried. All Trustees voted aye.

Mr. Logel stated that the next two agenda items pertained to the 2008 spring outage of Unit 9. The FGD (flue gas desulfurization) system was constructed and placed on-line in 1983 as part of Unit 9. It was staff's recommendation that two projects be approved prior to the adoption of the Electric Utility's 2008 Operating Budget to have the materials available for the modifications during Unit 9's scheduled 2008 spring maintenance outage. The two projects were the FGD tower nozzle modifications in the estimated amount of \$130,000 and the FGD booster fan hub replacement with an estimated cost of \$500,000.

The FGD tower nozzles have become worn and should be replaced. During the investigation of the replacement nozzles, it was learned that nozzle technology has improved considerably since the original design of the FGD towers. The new nozzles have a spray pattern that was more efficient and has the potential to improve the SO₂ removal efficiency. The new

nozzles were more economical than direct replacements but will require piping modifications to accommodate the difference in spacing and attachment method. This project was recommended for one tower only; the modification of the second tower will be budgeted and completed in 2009.

Trustee Tubandt moved, seconded by Trustee Mead, to approve the FGD Tower Nozzle Modifications Project in the estimated amount of \$130,000. Motion carried. All Trustees voted aye.

The FGD fans were inspected as part of Unit 9's routine maintenance program. During Unit 9's 2007 spring inspection a cracked shaft hub was discovered, and a temporary repair was completed. With the temporary repair the FGD tower, identified as 902, operation was restricted and used only if absolutely necessary. The manufacturer has recommended that the fan hub replacement should be completed at their facility, which will require the removal of the fan's rotor for shipment to the manufacturer's facility. The estimated cost for this project was \$500,000.

Trustee Axel moved, seconded by Trustee Tubandt, to approve the FGD booster fan hub replacement in the estimated amount of \$500,000. Motion carried. All Trustees voted aye.

At the March 29, 2007 Board meeting a contract was awarded in the amount of \$82,123.35 to Illowa Investment, Inc. for Asphalt Surfacing and Repairs, Concrete Curbs and Storm Drainage – 2007 Projects. Mr. Logel reviewed the previously submitted memorandum to all Board members. This work was at the Generation site and at the A/O Center. There was one Contract Change Order in the amount of \$1,997.57 for final material quantities. The work by this contractor has been completed, inspected by staff, and found to be acceptable. It was recommended that the Board of Trustees approve the Contract Change Order in the amount of \$1,997.57 and accept the contract as complete in the final amount of \$84,120.92.

After review of the projects the following resolutions were submitted.

RESOLUTION 07-41

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on March 29, 2007, awarded a contract to Illowa Investment, Inc. in the amount of \$82,123.35 for Asphalt Surfacing and Repairs, Concrete Curbs and Storm Drainage – 2007 Projects; and,

WHEREAS, a Contract Change Order has been prepared to said contract in the amount of \$1,997.57 and the said contract change order has been reviewed by the Board of Trustees 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 \$1,997.57 be and the same was hereby approved and therefore revising the contract amount to \$84,120.92.

Trustee Mead moved, seconded by Trustee Axel, that the said resolution should be passed, approved, and adopted on this 30th day of October 2007. On roll call Trustees Heidbreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

RESOLUTION 07-42

WHEREAS, it appears in a written report from the Board's staff that the contract with Illowa Investment, Inc. for Asphalt Surfacing and Repairs, Concrete Curbs and Storm Drainage – 2007 Projects in the final amount of \$84,120.92 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 Asphalt Surfacing and Repairs, Concrete Curbs and Storm Drainage – 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 Ingstad moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted on this 30th day of October 2007. On roll call Trustees Heidbreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

Mr. Logel stated that at the July 31, 2007 Board of Trustees meeting a contract was awarded to Champion Coatings, Inc. for Units 8 and 9 Outside Structures Painting – 2007 Project. Mr. Logel reviewed the previously submitted memorandum to all Board members. There was one Contract Change Order in the amount of \$3,200 for cleaning, surface preparation, and painting of two Unit 9 fuel oil storage tank tops. The work covered by this contract has been completed, inspected by staff, and found to be in accordance with the specifications. It was staff's recommendation that the Contract Change Order in the amount of \$3,200 be approved and the contract accepted as complete in the final amount of \$80,700.00. The approved project amount was \$100,000.

After discussion and review the following resolutions were submitted.

RESOLUTION 07-43

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on July 31, 2007, awarded a contract to Champion Coatings, Inc. in the amount of \$77,500.00 for the Units 8 and 9 Outside Structures Painting – 2007 Project; and,

WHEREAS, a Contract Change Order has been prepared to said contract in the amount of \$3,200.00 and the said contract change order has been reviewed by the Board of Trustees 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 \$3,200.00 be and the same was hereby approved and therefore revising the contract amount to \$80,700.00.

Trustee Ingstad moved, seconded by Trustee Mead, that the said resolution should be passed, approved, and adopted on this 30th day of October 2007. On roll call Trustees Heidbreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

RESOLUTION 07-44

WHEREAS, it appears in a written report from the Board's staff that the contract with Champion Coatings, Inc. for Units 8 and 9 Outside Structures Painting – 2007 Project in the final amount of \$80,700.00 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 Units 8 and 9 Outside Structures Painting – 2007 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 Axel moved, seconded by Trustee Tubandt, that the said resolution should be passed, approved, and adopted on this 30th day of October 2007. On roll call Trustees Heidbreder, Tubandt, Axel, Ingstad, and Mead voted aye. Voting nay, none.

In the General Manager's Report, Mr. Logel reviewed his previously submitted report. The Iowa Municipal Base Load Generation Study was previously discussed with the Board of Trustees. The study was sponsored by several municipal entities, including Muscatine Power and Water. The study will be conducted in phases and Phase I has been completed. The first phase was a feasibility study of MP&W's generation site and included the review of six coal-fired technologies, their associated projected bus-bar costs, and related environmental considerations. Phase I found no major flaws with the concept of constructing a 400-megawatt generating unit at the Board's generation site.

Phase II of the study, Iowa Base Load Project – Transmission and Permitting, has been initiated by the group. The cost of the study will be prorated to each entity by their nominated megawatts in the proposed power plant. The cost estimate for Phase II was approximately \$600/megawatt, and MP&W has nominated 80 megawatts in the new plant; therefore MP&W's share of the Phase II study cost will be around \$48,000. There were monies remaining from Phase I that will be applied to Phase II costs.

General discussion was conducted on the plant concept, MP&W's requirement for base load megawatts, and the consumption of the available space for a joint generation project.

Mr. Logel advised that a group of MP&W employees have volunteered, under the leadership of Mr. Jim Long, Lab Supervisor, to participate in the Iowa Department of Transportation's Adopt a Highway program. For several years this group of employees has "cleaned-up" Highway 61 North Bypass from the Holiday Inn to the Casey Store twice a year. This week the Iowa Department of Transportation recognized this group of employees for their efforts. Mr. Logel and the Board of Trustees expressed their appreciation to the employees for the positive recognition.

As previously discussed this evening a consultant was engaged to evaluate MP&W's membership in MISO. The evaluation report should be available by the beginning of December and it was recommended that the consultant present the report to the Board's Operating and Planning Committee on December 6, 2007 and to the full Board of Trustees at the December 20, 2007 Board meeting.

Mr. Logel advised that this concluded his report unless there were questions from the Board of Trustees.

The year-to-date and September financial operating statements and balance sheets for all Utilities were presented as previously submitted in written form to the Board members. Also included with the financial information was the Quarterly Investment Report for the Board's information. Mr. Kerker reviewed the highlights of all three financial reports and the quarterly investment report.

Trustee Tubandt moved, seconded by Trustee Ingstad, to receive and place on file the year-to-date and September financial operating statements and balance sheets for Electric, Water, and Communications Utilities, and the Quarterly Investment Report. Motion carried. All Trustees voted aye.

The Quarterly Project Status report and Variance Analysis were presented as previously submitted in written form to all Board members. Mr. Logel stated there was one project for the Board's consideration. The Board had authorized an expenditure in the amount of \$181,886 for Cooling Water Intake Biological Studies. This project was cancelled due to the Federal 316(b) rule being challenged in court and then being remanded back to the EPA to be reconsidered. EPA then suspended the existing rule for further study. A new project will be submitted once the EPA promulgates a new 316(b) Phase II rule. Mr. Logel stated it was staff's recommendation that the Board approve the Quarterly Project Status and Variance Report.

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

The Competitive Quotes for Public Improvements (\$40,000 to \$100,000) report was previously submitted in written format to all Board members. There were no competitive quotes awarded during September. The report was received and placed on file.

Mr. Logel advised that the Strategic Plan Critical Issues were included with the quarterly report on performance indicators, and Mr. Logel asked Mr. Kerker to introduce the indicators.

Mr. Kerker stated that there were nine critical issues and fourteen performance indicators prepared for the Board's information. Each graph or data sheet provided the 2007 third quarter status for each of the critical issues and performance indicators. The critical issues included: culture of efficiency, fuel costs, generation efficiency, wholesale energy sales, Communications Utility operational review, employee relations and health initiatives, customer/employee and legislature communications, workforce development, and the A/O Center space needs. Each critical issue's status was reviewed by the Director responsible for that issue.

The key performance indicators included: the Electric Utility's net income per revenue dollar, revenue per kilowatt-hour, total production expense per KWH sold, debt service coverage, net debt, average service availability index, customer average interruption duration index; the Water Utility's net income per revenue dollar, revenue per one thousand gallons, total chemical and pumping power expense per one thousand gallons sold, water bonding capacity; and the Communications Utility's net income per revenue dollar, monthly revenue and programming expense per cable television subscriber, monthly revenue and access charges per Internet subscriber, network reliability; and MP&W's overall incident rate.

After discussion and review of the various indicators Trustee Axel moved, seconded by Trustee Mead, to receive and place on file the 2007 Third Quarter Critical Issues and Key Performance Indicators. Motion carried. All Trustees voted aye.

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

Chairperson Heidbreder asked if there were any other items. There were no additional items. Trustee Ingstad moved, seconded by Trustee Tubandt that the meeting should be adjourned. The meeting stood adjourned at 8:05 p.m.

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



Donald W. Kerker
Board Secretary