

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

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

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

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. David Little, Little & Associates; Mr. Charles Potter, KWPC/KMCS Radio Station; Ms. Jennifer Meyer, Muscatine Journal; Messrs. Sal LoBianco, Ray Danz, Gary Wieskamp, and Ms. Erika Cox, Brandy Dulceak, Ann Jones, and Brenda Christensen of MP&W.

Mr. Logel introduced Mr. David Little of Little and Associates. Mr. Little will be working with the Board's General Manager Search Committee as Mr. Logel was planning to retire February 2009. Mr. Logel also introduced Ms. Brenda Christensen who was hired to fill the position of Executive Assistant/Office Manager when Ms. Ann Jones retires in a few weeks.

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

The minutes of the March 31, 2008, public hearing and regular meeting were presented as previously submitted to all Board members in written form. The Board's Audit/Finance Committee March 31, 2008 meeting minutes were also submitted to the Board of Trustees in written format.

Trustee Axel moved, seconded by Trustee Tubandt, that the March 31, 2008 public hearing and regular meeting minutes be approved as submitted, and the March 31, 2008 Audit/Finance Committee minutes be received and placed on file. Motion carried. All Trustees voted aye.

The list of expenditures and transactions for March was presented as previously submitted to all Board members in written form. Mr. Logel mentioned that listed on page one of the expenditures was a check written to Grain Processing Corporation for coal in the amount of \$4,451.40. Grain Processing uses a higher BTU coal than Muscatine Power and Water's low-sulfur coal. The higher BTU coal was used periodically to remove built-up slag in the boiler during operation to avoid taking the boiler off-line for slag removal.

Trustee Ingstad asked about a payment to Alstom Power Inc. in the amount of \$858,571.00. Mr. Sal LoBianco, Director of Generation and Telecommunications, advised this was the purchase of an overfire air system for reducing NO<sub>x</sub> emissions on Unit 9, and was part of the Environmental Compliance Project. On page fifteen there was an expenditure listed in

the amount of \$15,959.02 for a server, Trustee Heidbreder inquired as to what type of server. Mr. LoBianco stated it was for storage and data retention within the Communications Utility system.

After review and discussion of the expenditures, Trustee Mead moved, seconded by Trustee Ingstad, to ratify payment of \$8,954,509.34 for the Electric Utility, \$282,068.38 for the Water Utility, and \$637,545.54 for the Communications Utility for a cumulative total of \$9,874,123.26. Motion carried. All Trustees voted aye.

Mr. Logel asked Mr. Gary Wieskamp, Director of Utility Relations, to review the 2007 annual report. Mr. Wieskamp stated the annual report theme was "Reassuring Reliability" and he distributed copies of the annual report to the Board of Trustees. This past year provided several opportunities to demonstrate MP&W's reliability with ice storms in February and in December, a tornado June 1, and a wind storm in August. The Board's Audit/Finance Committee reviewed the report in electronic format prior to the printing. The annual report will be distributed to the financial community 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.

Discussion was conducted on the annual report format and the cost to produce this type of report. The report reflects MP&W very well but was it a necessary expenditure with the reduced Electric Utility debt; could a smaller, less expensive, report format be utilized for the financial community and business leaders. Mr. Wieskamp stated that the report was also placed on MP&W's web site for others information, such as individuals considering a transfer to Muscatine and vendors that conducted business with MP&W. The Board's suggestion of a smaller, less costly, report will be reviewed prior to next year's annual report preparation.

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

Prior to receiving staff's recommendation to set a public hearing for the PURPA standards Mr. Logel suggested that the May 27, 2008 meeting be changed to May 28, 2008. Mr. Logel would like to attend his granddaughter's graduation scheduled for May 27, 2008 in Des Moines, Iowa. Trustee Tubandt moved, seconded by Trustee Ingstad, to conduct the regular May Board meeting on May 28, 2008 at 5:30 p.m. Motion carried. All Trustees voted aye.

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. Consideration of the first two standards, Interconnection and Time-Based Metering and Communications was completed prior to the August 8, 2007 deadline. The three remaining standards, Net Metering, Fuel Sources, and Fossil Fuel Generation Efficiency must be completed prior to the August 8, 2008

deadline. The Board of Trustees may implement or decline to adopt the standards, but must state in writing the reason for the decision.

At the Board's direction a public hearing was conducted to gather citizens' input regarding the three standards. Two notices were published in the local newspaper advising of the public hearing on October 3, 2007. No written or public comments were received regarding the three standards.

Staff has completed the review of these three standards and will prepare a recommendation to present to the Board of Trustees at the May 2008 Board meeting. It was recommended that the Board set a public hearing to allow the citizens an opportunity to submit any written or oral comments regarding the three standards. A notice will be published in the local newspaper advising of the hearing date and time, and that MP&W's review of the standards were available for viewing by citizens. It was recommended that the public hearing for PURPA standards regarding Net Metering, Fuel Sources, and Fossil Fuel Generation Efficiency be conducted at 5:28 p.m. on May 28, 2008.

The following resolution was submitted.

#### **RESOLUTION 08-14**

WHEREAS, it appears in a written report from the Board's staff that a public hearing for the Public Utility Regulatory Act (PURPA) standards regarding Net Metering, Fuel Sources, and Fossil Fuel Generation Efficiency should be conducted; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that a public hearing be conducted on the said PURPA standards in the office of the Board of Trustees on May 28, 2008 at 5:28 p.m. CDT and notice to the citizens be published not less than four (4) days nor more than twenty (20) days prior to said hearing and that the said standards were available for review at the office of the Board of Trustees, 3205 Cedar St., Muscatine, Iowa.

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

Mr. Logel reviewed the previously submitted memorandum to all Board members regarding the recommendation to accept the contract as complete for Units 7 and 8 Traveling Screen Wash Pump Installation. At the November 27, 2007 Board of Trustees meeting a contract was awarded to Frank Millard and Company for Units 7 and 8 Traveling Screen Wash Pump Installation. There was one Contract Change Order that staff recommended for approval by the Board of Trustees in the amount of \$3,191.00 for additional work. The contract awarded amount was \$68,688.00 and with the approval of the Contract Change Order the contract amount will be \$71,879.00.

The work completed by this contract has been inspected by staff and found to be in accordance with the project specifications. Frank Millard and Company was obligated to submit an Operations and Maintenance Manual. Staff recommended that the Board approve the

Contract Change Order in the amount of \$3,191.00, accept the contract as completed in the final amount of \$71,879.00, and to release contract retainage subject to receiving the Operations and Maintenance Manual.

After discussion and review the following resolution was submitted.

#### **RESOLUTION 08-15**

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on November 27, 2007, awarded a contract to Frank Millard and Company in the amount of \$68,688.00 for the Units 7 and 8 Traveling Screen Wash Pump Installation; and,

WHEREAS, Contract Change Order 1 has been prepared to said contract in the amount of \$3,191.00 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 the said Contract Change Order 1 in the amount of \$3,191.00 be and the same was hereby approved for a new contract price of \$71,879.00.

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

#### **RESOLUTION 08-16**

WHEREAS, it appears in a written report from the Board's staff that the contract with Frank Millard and Company for Units 7 and 8 Traveling Screen Wash Pump Installation in the final amount of \$71,879.00 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 Units 7 and 8 Traveling Screen Wash Pump Installation 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 and subject to receipt of the Operations and Maintenance Manual for the project.

Trustee Tubandt moved, seconded by Trustee Ingstad, that the said resolution should be passed, approved, and adopted on this 29<sup>th</sup> day of April 2008. 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 memorandum to all Board members.

Mr. Logel stated that the Board's Personnel and Public Relations Committee (Trustees Tubandt and Axel) was scheduled to meet May 14 to review the 2008 Salary Administration Program expenditure recommendation prior to a presentation at the May Board meeting. For the General Manager's performance review Mr. Logel will submit to all Board members a summary of 2007 activities and the performance evaluation forms for the Board's information and use. The evaluation forms should be returned to the Chairperson by May 25 for discussion in a closed session at the May 28, 2008 Board meeting.

In regard to the search for a new General Manager the proposed schedule included having three finalists by August 26, 2008, interviews conducted by the Board of Trustees during September with the selection of the finalist by October 15. It was the General Manager Search Committee's intent to have hired a General Manager by November 1, 2008.

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, Director of Finance and Administrative Services, 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.

Discussion was conducted on budget amendments and reforecasting of the budget to adjust for additional projects and changes to the budget. Mr. Kerker advised that typically the Utility's budgets were not modified. Each month any major budget variances were reviewed with the Board. The Board awarded projects were presented to the Board quarterly and any project variances were reviewed and approved at the quarterly meeting. Financial projections were presented at the July or August Board meeting; included with the projections were the current year's budgets reflecting actual results to date along with other major budget adjustments. A similar update of the current year's budget was also included with the annual operating budgets presented at the October Board meeting for approval at the November Board meeting. Staff prepared a report that monitors major changes to cash flow and net income for management's use.

Trustee Mead moved, seconded by Trustee Tubandt, that the Year-to-Date and March financial operating statements 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 for the Board's consideration. As mentioned at a previous Board meeting the project to Restud and Refractory Unit 8's Cyclones exceeded the approved project amount. The contractor labor charges have increased approximately \$100,000.00 for the hydro blasting services to remove the old refractory plus general across the board increases. The approved project amount was \$475,000.00 based on

prior projects. The 2008 quotes for the work were higher resulting in a recommended revised project amount of \$758,000.00. General discussion was conducted on the project increases.

Trustee Mead moved, seconded by Trustee Axel, to approve the increased costs for the Restud and Refractory of Unit 8's Cyclones for a total project cost of \$758,000.00. Motion carried. All Trustees voted aye.

As presented in the Variance Analysis of the Quarterly Project Report there were two projects completed under budget by more than ten percent. The evaluation of MISO membership project was modified resulting in a lower cost by the consultant. The estimated cost of the proposed study was \$95,000 and the final cost was \$61,788.00. The second project was the Construction of 2740 feet of Twelve-Inch Water Main along Tipton Road from Provence Lane to Highway 61 Bypass. The project estimate was \$187,425.00. Due to favorable bids and not using the contingency monies the project was complete at a cost of \$150,668.00. It was staff's recommendation that the Board of Trustees approve the Variance Analysis for first quarter 2008.

Trustee Ingstad moved, seconded by Trustee Axel, to approve the 2008 first quarter Project Status Report and Variance Analysis. 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: Manage Air Quality Giving Consideration to Demand Side Management and Power Supply Diversity, Succession Planning, Water Supply Management, CATV Digital Conversion, and Wholesale Energy Sales.

Mr. Kerker stated the Electric Utility indicators included net income per revenue dollar, revenue per kilowatt-hour, total production expense per kilowatt-hour sold, generation operation and maintenance per kilowatt-hour, debt service coverage, net debt/cash, net generation unit heat rates, the equivalent availability and capacity factor, the average service availability index, and the customer average interruption duration index. The Water Utility indicators included in the Board's meeting material were 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 residential basic cable television subscribers to home passed, residential cable modem subscribers to homes passed, net income, net income per revenue dollar, EBITDA (earnings before interest expense, taxes, depreciation and amortization), annualized operating cash flow and free cash flow, Communications Utility gross margins, 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.

General discussion was conducted on the indices. Ms. Erika Cox, Director of Employee Services, stated that a year ago the Board approved the establishment of the Ed Archer Scholarship fund, and the first applicant has been selected. During 2008 the Salary Administration Program will be reviewed and a new salary survey will be conducted for salaried positions. The Board asked about employee turnover and what was MP&W's average. Ms. Cox stated that it

was in the four to seven percent range with retirements or approximately two percent without retirements. The Water Utility's Well #40 being constructed was on the last available site, and additional land will be investigated for future wells. The cable television digital conversion project was also briefly discussed.

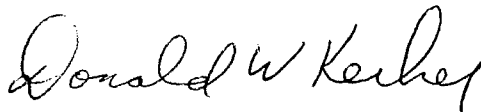
Trustee Mead moved, seconded by Trustee Tubandt, to receive and place on file the 2008 First Quarter Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities. Motion carried. All Trustees voted aye.

The Competitive Quotes for Public Improvements Report was previously submitted to all Board members in written format. There were no items for approval, the report was received and placed on file.

The March departmental reports were presented as previously submitted to all Board members in written form. Discussion was conducted on the fifteen negative comments on the Customer Input Report. MachLink Internet experienced an outage last month and fifteen customers inquired about the outage. Trustee Tubandt moved, seconded by Trustee Axel, to receive and place on file the March departmental reports. Motion carried. All Trustees voted aye.

The meeting was adjourned at 7:05 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