

OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
MARCH 30, 2010 – 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, March 30, 2010 at 5:30 p.m., CST.

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

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Donald W. Kerker, Board Secretary; Duane J. Goedken, Board Attorney; Amy Cahill, Muscatine Journal; Gary Wieskamp, Erika Cox, Brandy Dulceak, Jeff Beer and Brenda Christensen of Muscatine Power and Water. Jamin Friedl, Baker Tilly Virchow Krause LLP joined the meeting by telephone;

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

The minutes of the February 23, 2010 regular meeting were presented as previously submitted to all Board members in written form. Trustee Axel moved, seconded by Trustee Tubandt, that the minutes be approved and placed on file as submitted. Motion carried. All Trustees present voted aye.

The list of expenditures and transactions for February was presented as previously submitted to all Board members in written form. After review and discussion, Trustee Heidbreder moved, seconded by Trustee Carlson, to ratify payment of \$2,889,035.46 for the Electric Utility, \$368,609.03 in the Water Utility, and \$892,288.21 for the Communications Utility for a cumulative total of \$4,149,932.70. Motion carried. All Trustees present voted aye.

The next item on the agenda was a recommendation to receive and place on file the 2009 Audit for the Electric, Water and Communications Utilities. Mr. LoBianco introduced Jamin Friedl of Baker Tilly Virchow Krause LLP (Baker Tilly), who was joining the meeting by conference call. Mr. LoBianco asked Mr. Kerker to review the audit process. Mr. Kerker stated that Baker Tilly had recently completed the independent audit for MP&W covering the calendar year 2009. Baker Tilly was engaged by the Board of Trustees for a four-year contract covering calendar years 2009 through 2012. The Electric Utility bond covenants require that an audit be completed within ninety days from year-end.

Mr. Kerker told the Board that the Board's Audit/Finance Committee, which includes Trustees Ingstad and Heidbreder, had met with the General Manager, Director of Finance & Administrative Services and the auditor representative early in the day to discuss the audit in detail. Discussion in the Audit/Finance Committee meeting was focused on

items required by Statement on Auditing Standards 114, Auditor's Communication with those Charged with Governance. The Board was given a copy of the audit, management's representation letter to the auditors and a summary of passed adjusting journal entries. Mr. Kerker asked Jamin Friedl of Baker Tilly to give a brief review of what was presented to the Audit/Finance Committee and to answer any questions the Board may have regarding the Audit. Mr. Friedl stated to the Board that the Audit had gone well. He gave a brief overview on highlights of the auditor's response that had been presented earlier to the Audit/Finance Committee. Mr. Friedl also thanked Don Kerker and his financial staff for the well prepared audit documentation and the cooperation received from everyone in completing the Board's audit. Trustee Heidbreder stated that the financial statements received an unqualified opinion, which is the goal. He said that he and Trustee Ingstad had a private meeting with the auditor and that they were in agreement that the Board should receive and place on file the 2009 Muscatine Power and Water annual audit. Both Trustee Heidbreder and Mr. LoBianco also thanked the accounting staff and management for all the work during the audit process.

Trustee Tubandt moved, seconded by Trustee Heidbreder, to receive and place on file the 2009 audit of the Electric, Water, and Communications Utilities records. Motion carried. All Trustees present voted aye.

Mr. Friedl left the meeting.

Mr. LoBianco stated that the next item on the agenda was a proposed Electric Utility revenue adjustment. As presented in the 2010 Electric Utility's Annual Operating Budget at the October 2009 Board of Trustees meeting, management recommended approval of an overall Electric Utility revenue increase of four percent (4%) effective July 1, 2010. Mr. LoBianco reminded the Board that the Electric Utility has not had a rate increase since September 1, 2002. Mr. LoBianco continued that the major drivers of the proposed increase are a significant reduction in wholesale energy revenues and the associated margin, along with increased coal and coal transportation expense, which has contributed to the reduction in the margin associated with wholesale energy sales. Another contributing factor is a reduction in native system energy sales and the resultant reduction in revenue. No one can confidently predict how soon, or to what degree, electricity demand will grow, or how many years of growth it will take to balance the surplus energy available in the MISO market. Additional drivers include the need to continue to make capital investments in our infrastructure and anticipated changes in environmental legislation and renewable and energy efficiency standards.

Mr. Kerker continued that all Industrial customers had been notified of the proposed rate increase and that staff has met with Industrial II customers and an Industrial I customer that requested a meeting. In these meetings it was communicated that MP&W rates are still low in comparison to state and national averages. The meetings also included an explanation of the Utility's efforts to mitigate effects of the reduction in revenues through lowering expenses by deferring expense projects, the hiring of personnel and capital expenditures. Mr. Kerker directed the Board to the material provided regarding the rate increase. The material included the history of revenue adjustments and rate comparisons. The recommended four percent (4%) adjustment will result in \$2.47 a month price increase

for the average residential customer. Mr. LoBianco recommended that the Board of Trustees approve a four percent Electric Utility revenue increase effective July 1, 2010.

The following resolution was submitted:

RESOLUTION 10-01

WHEREAS, certain studies have been made of the financial condition of the Electric Utility and presented to the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, for its consideration; and,

WHEREAS, the Board has reviewed these studies and determined that a revenue increase is necessary to keep the Electric Utility in sound financial condition; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, that electric revenue be increased by four percent (4%) effective July 1, 2010.

BE IT FURTHER RESOLVED, that said increase be effected by adoption of the rate classes and rates proposed by management; and,

BE IT FURTHER RESOLVED, that proper notice be given to contract consumers in accordance with the terms of the contracts.

Trustee Heidbreder moved, seconded by Trustee Axel, that the said resolution should be passed, approved, and adopted this 30th day of March 2010. On roll call Trustees Heidbreder, Tubandt, Carlson, Axel and Ingstad voted aye. Voting nay, none.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum that included updates on the Magic Base Map project, an update on stimulus funding for Utility projects, Gary Wieskamp's APPA legislative update from the 2010 legislative rally, and the invitation to the Board to attend the APPA National Conference in June.

The February Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. LoBianco gave a brief update on each utility and Mr. Kerker followed with a more in-depth review. After additional discussion by the Board on what MP&W can do to promote the services they offer (i.e. great customer service, Energy Star Appliance Rebates, Energy Audits, etc.), Trustee Carlson moved, seconded by Trustee Tubandt, to receive and place on file the February Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. Motion carried. All Trustees present voted aye.

The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members in written format. There were no items for approval.

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

Trustee Tubandt moved, seconded by Trustee Carlson, to adjourn the March 30, 2010, Board Meeting. Motion carried. All Trustees present voted aye. The meeting was adjourned at 6:30 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 style with a large, stylized "K".

Donald W. Kerker
Board Secretary