

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
AUGUST 30, 2011 – 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, August 30, 2011, at 5:30 p.m.

Chairperson Joan Axel called the meeting to order. Members of the Board were present as follows: Trustees Gary Carlson, Doyle Tubandt, Scott Ingstad, and Joan Axel. Trustee Warren Heidbreder was present by phone due to previously scheduled travel plans.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Donald W. Kerker, Board Secretary; Duane J. Goedken, Board Attorney; Charles Potter, Muscatine Journal; Charles Lorensen, 1808 Briarwood Lane; Gary Wieskamp, Ray Danz, Erika Cox, Brandy Olson, and Brenda Christensen of Muscatine Power and Water.

Chairperson Axel asked if there was anyone in attendance who wished to make any public comments. Mr. Charles Lorensen asked to address the Board of Trustees. Mr. Lorensen expressed that he would like Muscatine Power and Water to do a better job of educating customers on thermostat control. He also shared concerns about proper tree trimming and traffic light timing. There were no further public comments.

Mr. Lorensen left the meeting.

The minutes of the July 26, 2011, public hearing and regular meeting were presented as previously submitted to all Board members in written form. Trustee Carlson moved, seconded by Trustee Tubandt, that the July 26, 2011, meeting minutes be approved as submitted. Motion carried. All Trustees present voted aye.

The list of expenditures and transactions for July was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Ingstad moved, seconded by Trustee Tubandt, to ratify payment of \$5,725,106.57 for the Electric Utility, \$310,557.97 for the Water Utility, and \$1,625,369.61 for the Communications Utility for a cumulative total of \$7,661,034.15. Motion carried. All Trustees present voted aye.

Mr. LoBianco told the Board that Principal Financial Group representatives were in attendance to provide a semi-annual review of the pension plan and investments. He introduced David Fee, Sr. Investment Consultant, and Lacey Loewe, Sr. Relationship Manager, from the Principal Financial Group to provide an update on the status of the plan's 2011 semi-annual asset allocation, investment earnings results, and funding status.

Mr. Fee directed the Board to the previously provided presentation submitted from Principal Financial Group. He reviewed the current portfolio and the allocation of strategic assets. He also reviewed the adjustments that had been made in several of the investment option managers. Expectations of Principal are that although we are in a period of slow economic growth, long-term stocks and fixed income exposure look good.

David Fee and Lacey Loewe left the meeting.

Mr. LoBianco stated that at the July Board of Trustees meeting, the Board Policy Manual was presented in draft form for the Board's input and comments. The manual has been finalized and it was recommended that the Board approve the manual. Trustee Heidbreder moved, seconded by Trustee Carlson, that the Board Policy Manual be approved as presented. Motion carried. All Trustees present voted aye.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding the recommendation to request the Mayor and City Council to recognize public power by designating the week of October 2-8, 2011 as Public Power Week. Mr. LoBianco stated that this was an opportunity to promote the importance of public power to customers and employees. The following resolution was submitted.

RESOLUTION 11-15
NATIONAL PUBLIC POWER WEEK

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa wish to recognize its customers and employees during Public Power Week; and,

WHEREAS, the citizens of Muscatine are both owners and consumers of Muscatine Power and Water which provides our homes, businesses, farms, and local government agencies with reliable, efficient, and cost-effective electricity, water, and communications services by employing sound business practices designed to ensure the best possible service at the lowest possible rate; now therefore,

BE IT RESOLVED, that the Board of Trustees request that the Mayor and City Council designate the week of October 2-8, 2011 as Public Power Week in Muscatine, in order to honor Muscatine Power and Water, its consumer-owners, and its employees, who work together to provide the best possible electric, water, and communications services; and,

BE IT FURTHER RESOLVED, that Muscatine has joined hands with other public power communities across the nation to celebrate the benefits of a consumer-owned utility for our local and national progress.

Trustee Ingstad moved, seconded by Trustee Carlson, that said resolution be passed, approved, and adopted this 30st day of August 2011. On roll call Trustees Tubandt, Ingstad, Heidbreder, Carlson, and Axel voted aye. Voting nay, none.

Included with the Board's meeting materials were the Ten-Year Financial Projections for 2012 through 2021. The Board was provided a complete and detailed version of the Ten-Year Financial Projections for the Water, Electric and Communications Utilities in a separate packet, along with a summary version in the Board package. Mr. LoBianco stated that cost drivers had not changed appreciably from the past and that the focus continues to be on financial targets that are required to secure the Utility's long term success. Mr. LoBianco gave a brief overview of each Utility's financial projections and then asked Mr. Kerker to provide more detail.

Mr. Kerker stated that it has been the past practice of the Board of Trustees to avoid situations where significant rate adjustments are needed in any one year; the approach adopted has been to have modest increases that could be implemented on a periodic basis that avoided rate shock to the customers. That approach enables management to communicate the frequency and magnitude of projected future increases to customers to accommodate their desire for rate predictability. The Projections show management's expectations of significant challenges for each Utility that will increase operating costs and ultimately force increases in rates. Mr. Kerker told the Board that, over the last few years, operating and reserve funds cash balances for the Electric and Water utilities have dropped to undesirable levels, while the Communications Utility has been able to improve its operating and reserve funds cash balances through increased bank borrowings in 2010. Mr. Kerker stated that other minimum financial targets have also been identified and incorporated into the Projections. Financial indicators utilized by Fitch Ratings were reviewed and, where applicable, used to establish baseline financial targets for the Electric Utility, with similar targets for the Water and Communications. Mr. Kerker next reviewed the revenue and cost drivers, along with minimum financial targets for each Utility through the year 2021. Mr. Kerker also provided the Board with a high level review of the Actual and Projected Income Statements and Projected Source and Application of Funds spreadsheets for each Utility for the next ten years.

After discussion Trustee Ingstad moved, seconded by Trustee Heidbreder, to receive and place on file the Ten-Year Financial Projections for 2012 through 2021. Motion carried. All Trustees present voted aye.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum regarding the SafeStart Training Program that is being implemented at MP&W and also shared a mutual aid request thank-you letter received from Vinton, Iowa for the Utility's response to their July 2011 outage due to storm damage.

The July 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 reviewed the YTD results. After review, Trustee Ingstad moved, seconded by Trustee Tubandt, to receive and place on file the July

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 form. There were no items for approval.

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

Chairperson Axel asked if there were any other items of business. With no other items of business, the meeting was adjourned at 7:10 p.m.

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

A handwritten signature in cursive script that reads "Donald W. Kerker". To the right of the signature, the initials "BKE" are written in a smaller, simpler font.

Donald W. Kerker
Board Secretary