

PRESS RELEASE

December 20, 2011

Muscatine Power and Water
3205 Cedar Street
P.O. Box 899
Muscatine, IA 52761
Contact: Erika Cox
Phone: 563-262-3305
FAX: 563-262-3315

FOR IMMEDIATE RELEASE

MP&W Board of Trustees Approves Rail Contract

At Tuesday night's Board of Water, Electric and Communications Trustees meeting, the Board approved a four-year contract with the Canadian Pacific Rail Company (CP) to deliver coal shipments from Ottumwa, Iowa to Muscatine. The term of the contract runs January 1, 2013 – December 31, 2016. The contract replaces a 15-year contract MP&W had with the CP.

Brad Spratt, Manager, Supply Chain Services explained, "The pending expiration of the 15-year CP rail contract concerned us that this portion of our coal transportation would change substantially. Early negotiations were started with CP as well as barge delivery providers of coal. In the end, a contract with the CP was more advantageous economically than a contract providing for barge delivery."

The confidential pricing offered by the CP is contingent on MP&W adding a rail spur on the generation site to allow for delivery of a full unit train (approximately 120 cars).

Sal LoBianco, General Manager, concluded, "Coal and coal transportation costs typically run 26-28% of total operating expenses for the Electric Utility. Transportation of coal accounts for 61% of our total fuel costs. With our new transportation contracts in place, our deliveries are secured and we have increased predictability about our future costs. We believe this agreement provides competitive rates that compare very favorably to other options."

Coal is delivered to MP&W's generating stations via two rail companies. In June of this year, the Board approved a six and one-half year contract with the BNSF Railway Company to transport coal from the Wyoming mines to Ottumwa, Iowa. The term of that contract runs July 1, 2011 – December 31, 2017.

###