

## **PRESS RELEASE**

March 26, 2019

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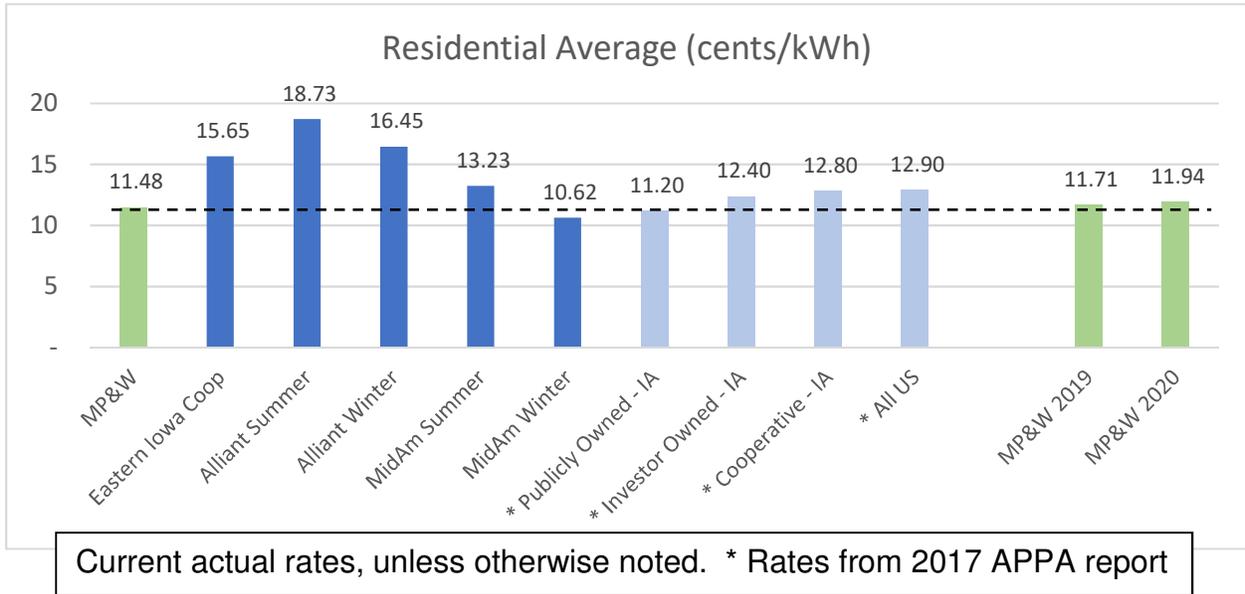
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### **MP&W Board of Trustees Review Electric Utility Cost of Service / Rate Design Study**

At Tuesday night's Board of Water, Electric and Communications Utility Trustees meeting, the 2019 Electric Cost-of-Service and Rate Design Study was reviewed. Dave Berg of Dave Berg Consulting, LLC was hired to perform a study of the retail rates MP&W charges for electric service; Mr. Berg completed MP&W's last Cost-of-Service Study in 2017. The results of the 2019 Cost-of-Service Study indicate that since the last study, the relative cost to serve the various customer classes has not changed significantly. MP&W's rates are based on the cost to serve each customer class (residential, commercial and industrial); the costs vary based on factors such as how efficient the customer class uses the transmission and distribution facilities to serve that class, impact on electric peak demand, and energy expenses. Management reported that consistent with the 2019 Operating Budget and 10-Year Financial Projections a 2% revenue increase would be needed effective August 1, 2019, along with a similar increase effective August 1, 2020. The Utility's net income is projected to be negative for the next several years, but recommendation of the modest 2% adjustment is based on current and projected cash requirements/reserves. The increases will help ensure adequate cash reserves necessary to maintain the long-term financial stability of the Electric Utility.

According to Sal LoBianco, General Manager, "The primary drivers necessitating the revenue increases are continued depressed wholesale energy margins, increases in coal and coal transportation expenses, increases in operating and maintenance costs, and capital expenditures required to maintain and improve Utility infrastructure and facilities with a focus on ensuring ongoing reliability. The Electric Utility continues to be debt free and we closely scrutinize all expenditures."

The recommended adjustment will result in an increase for the average residential customer of \$1.94 per month beginning August 2019. Even with the increase, MP&W’s residential rates continue to be below state and national averages when compared to investor owned, cooperatives and other public power utilities.



LoBianco concluded by saying, “We continue to focus on proactive and preventive maintenance, which is more cost effective than unplanned, emergency repairs. MP&W has been and will continue to participate in large infrastructure and community betterment projects with the City of Muscatine. We’ve worked hard to keep costs down and so that increases can be limited to 2%.” The Board will be asked to approve the adjustment at the April meeting.

This meeting was LoBianco’s last meeting as General Manager of MP&W. Mr. LoBianco started with MP&W in 1980 as an engineer during the construction of Generating Unit #9 and was the lead during the check out and start-up of the unit, which was commissioned in 1983. Throughout his career at MP&W, Mr. LoBianco held positions of Manager of Power Generation, Manager of Engineering and Construction, was the project leader for the start-up of the Communications Utility, and Director of Generation and Telecommunications before becoming General Manager in 2009. Mr. LoBianco has always been a strong supporter of MP&W and the citizens of Muscatine. The Board of Trustees recognized Mr. LoBianco for his 39 years of service at MP&W and to the Muscatine Community.

**In Other Action the Board:**

- Awarded a contract for the A/O Center Main Lobby Remodel Construction Project to Woodruff Construction, LLC (Tiffin, IA) for a total of \$518,000.
- Received and placed on file the 2018 Audit for the Electric, Water and Communications Utilities.
- Approved a resolution requesting the City of Muscatine designate May 5-11, 2019, as Drinking Water Week.

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*Muscatine Power and Water (MP&W) is a customer-driven, not-for-profit municipal utility, established by the community for the purpose of serving the community responsively, competitively, and responsibly. MP&W provides reliable electricity, high quality water, and state-of-the-art communications services, including internet, TV, and phone services, to homes and businesses throughout the Muscatine community at rates below state and national averages with outstanding customer service. MP&W is locally controlled and operated for the benefit and betterment of the community.*