

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
NOVEMBER 27, 2018 – 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, November 27, 2018, at 5:30 p.m.

Chairperson Keith Porter called the meeting to order. Members of the Board were present as follows: Trustees Susan Eversmeyer, Tracy McGinnis, Steven Bradford, and Keith Porter. Trustee Doyle Tubandt was absent due to previously scheduled travel plans.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Charles Potter, Muscatine Journal; Erika Cox, Gage Huston, Neal Nelson, Brandy Olson, Tim Reed, and Brenda Christensen of Muscatine Power and Water.

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

The minutes of the October 30, 2018, and the November 14, 2018, regular meeting minutes were presented as previously submitted to all Board members in written form. After discussing a change to the October 30, 2018, minutes in the GM Report section, Trustee Bradford moved, seconded by Trustee McGinnis, that the October 30, 2018, and the November 14, 2018, regular meeting minutes be approved as submitted. All Trustees present voted aye. Motion carried.

The list of expenditures and transactions for October 2018 was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Eversmeyer moved, seconded by Trustee McGinnis, to ratify payment of \$10,658,149.32 for the Electric Utility, \$663,912.17 for the Water Utility, and \$1,335,562.96 for the Communications Utility, for a cumulative total of \$12,657,624.25. All Trustees present voted aye. Motion carried.

The next agenda item was the recommendation to approve the Unit 9 Boiler Maintenance Projects to take place during the current Unit 9 shutdown. Mr. LoBianco stated that the three projects in this request have a total cost of \$1,072,200 and included the following; Unit 9 Boiler Major Inspection Project for a cost of \$534,200; Unit 9 Boiler Low Temperature Superheater Tube Repair Project for a cost of \$223,000; and Unit 9 Main Steam, Hot and Cold Reheat Piping NDE and Unit 9 Boiler NDE Project for a cost of \$315,000. He continued that the goal is to complete as much of the boiler maintenance activity now so as to minimize, or eliminate, the need for an outage in the fall of 2019. Trustee McGinnis moved, seconded by Trustee Eversmeyer, to approve the three Unit 9 Boiler Maintenance Projects at an estimated total cost of \$1,072,200. All Trustees present voted aye. Motion carried.

The next agenda item was approval of a revised project summary form (PSF) for the Unit 9 2018 Major Turbine/Generator Overhaul Project. This project was originally approved at the September 2018 Board Meeting to complete a major inspection and overhaul of the Unit 9 turbine generator, main stop valve and intercept valves at a total cost of \$1,976,000. Mr. LoBianco stated that the project is now being revised to cover unplanned repairs that were

discovered after the unit was disassembled, as discussed at the Board's October 2018 meeting during the General Manager's Report. The revised project cost is \$3,049,000, which represents an increase of \$1,073,000 and this additional work will extend the outage by approximately 4-6 weeks. Mr. LoBianco stated that Management recommends Board approval of the revised project expenditure and the additional cost. Trustee Bradford moved, seconded by Trustee Eversmeyer, to approve the revised PSF for the Unit 9 2018 Major Turbine/Generator Overhaul Project. All Trustees present voted aye. Motion carried. Trustee McGinnis moved, seconded by Trustee Eversmeyer, to approve the revised PSF for the Unit 9 2018 Major Turbine/Generator Overhaul Project at a revised project cost of \$3,049,000. All Trustees present voted aye. Motion carried.

The next agenda item was a recommendation to authorize the General Manager (GM) to execute a Contract Amendment and Contract Change Order (CCO) to the Agreement for the Construction of a Fiber to the Home (FTTH) System with Atlantic Engineering Group (AEG). Mr. LoBianco stated that he and Staff continue to negotiate with AEG in an effort to resolve the disputed issues regarding the Agreement and that in October a Term Sheet was negotiated and executed, which was intended to lead to a binding Contract Amendment and CCO. The window of opportunity is narrowing to resolve the contract dispute outside of arbitration and the performance bond claim process. He also stated that there has been no significant change in the level of personnel that AEG is devoting to the project. Mr. LoBianco referenced a project and estimated cost update provided by Tim Reed that includes additional information on the change in pay items in the Term Sheet and a summary of the proposed CCO items and costs with an update of the projected total expenditure vs. budget. It is projected that the project will be approximately 5.5% over budget. The Board was also provided an executed copy of the Term Sheet. After additional discussion, Trustee McGinnis moved, seconded by Trustee Eversmeyer, to authorize the General Manager to execute a Contract Amendment and CCO to the Agreement for the Construction of a Fiber to the Home System with Atlantic Engineering Group (AEG). All Trustees present voted aye. Motion carried.

The next agenda item was a recommendation to authorize the General Manager to execute all documents related to the sale of 80 (eighty) 1994 rail cars. Mr. LoBianco explained that current and projected generating unit capacity factors result in MP&W having excess rail car capacity; this has required placing 101 of the cars in storage with Motive Rail in Chillicothe, MO since 2015. To save storage costs of \$1,003.75 per car per year. MP&W has been trying to sell the rail cars held in Chillicothe. Recently, MP&W had received an offer to purchase 80 cars at \$10,000/each for a total of \$800,000 and Management recommends acceptance of this offer. The following resolution was submitted:

RESOLUTION 18-29

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, has received an offer from Rail Trusts, Inc. to purchase 80 (eighty) 1994 vintage rail cars; and

WHEREAS, it is the opinion of Muscatine Power and Water (MP&W) Management, that due to current and projected generating unit capacity factors, the above mentioned rail cars are excess inventory; and

BE IT RESOLVED, that the offer to purchase the rail car assets is hereby accepted by the Board; and

BE IT FURTHER RESOLVED, that the General Manager is authorized to execute all documents necessary to execute the sale of the 80 (eighty) 1994 vintage rail cars;

Trustee Bradford moved, seconded by Trustee Eversmeyer, that the said resolution should be passed, approved, and adopted this 27th day of November 2018. On roll call, Trustees Eversmeyer, McGinnis, Bradford, and Porter voted aye. Voting nay, none. Trustee Tubandt was absent. Resolution carried.

Mr. LoBianco next advised the Board that they had been provided with updated/revised copy of the Service Rules for the Electric, Water, and Communications Utilities. He told the Board that the updates were highlighted and that no action was being requested at this meeting, but approval will be requested at the December Board meeting.

The next agenda item was approval of the 2019 Operating Budgets that had been presented for comments at the October Board of Trustees meeting. Mr. LoBianco stated that changes to the Electric Utility Budget were being recommended due to the additional costs associated with the previously approved agenda items for the Unit 9 Turbine/Generator Overhaul Project outage. He continued that the adjustments to revenue, expenses and capital expenditures will increase the Electric Utility Budget ending cash balance from \$53,033,548 to \$54,899,489 and decrease net loss by \$2,014,740. Trustee Bradford moved, seconded by Trustee McGinnis, to approve the 2019 Operating Budgets for the Electric, Water, and Communications Utilities. All Trustees present voted aye. Motion carried.

Mr. LoBianco stated that the next agenda item also pertained to the 2019 Operating Budgets; Muscatine Power and Water is required by the Iowa Code to submit a summary of the Operating Budgets to the City Clerk, who then forwards the budget summary to Muscatine County for submittal to the State of Iowa Auditor. The budget certificate summary was presented as previously submitted in written form to all Board members. Copies of the budget summary were also available for review by the citizens at Muscatine City Hall, Musser Public Library, and at MP&W's Administrative/Operations Office before the November Board meeting. The budget public hearing was conducted earlier in the evening. The following resolution was submitted:

RESOLUTION 18-30

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that the annual Budget for the calendar year 2019, as set forth in the utility's Budget Estimate Summary showing the revenue and expenditure estimates for said calendar year is adopted, and the Secretary is directed to file the same with the Clerk of the City of Muscatine, Iowa.

Trustee Eversmeyer moved, seconded by Trustee McGinnis, that the said resolution should be passed, approved, and adopted this 27th day of November 2018. On roll call Trustees Eversmeyer, McGinnis, Bradford, and Porter voted aye. Voting nay, none. Trustee Tubandt was absent. Resolution carried.

The next agenda item was a recommendation to approve revised Ten-Year Financial Projections for 2019 through 2028 for the Electric Utility. Mr. LoBianco explained that the revised projections include the adjustments made to the 2019 budget, which decreased net loss by \$2,014,740 and lowered total capital expenditures for the Ten-Year period by \$228,800; no changes were made to the operating assumptions for the remaining years of the projections. Cash balances still

remain above the minimum cash level throughout the ten-year projection period. Trustee Eversmeyer moved, seconded by Trustee McGinnis, to receive and place on file the revised Ten-Year Financial Projections for the Electric Utility for 2019 through 2028. All Trustees present voted aye. Motion carried.

In the General Manager's Report, Mr. LoBianco reviewed the new Electric Utility outage map that can be used by customers to see reported number of electrical outages as well as the general impacted area; from this page, customers may also report an electrical outage. Mr. LoBianco continued that MP&W has formed a partnership with Service Line Warranties of America (SLWA) to offer MP&W customers coverage in the form of a warranty program in case of water service line or sewer line failure. He also told the Board about the WeOffset program that was introduced at the October Power Breakfast that allows customers to support renewable energy in a more direct and trackable manner by allowing them to directly offset their usage with Renewable Energy Certificates (RECs). By participating in WeOffset, the customer is "offsetting" 25%, 50%, or 100% of their home energy usage with renewable energy from MP&W's South Fork Wind Farm.

The October Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. After review and discussion, Trustee McGinnis moved, seconded by Trustee Eversmeyer, to receive and place on file the October Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. All Trustees present voted aye. Motion carried.

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 October departmental reports were presented as previously submitted to all Board members in written form. Trustee Eversmeyer moved, seconded by Trustee McGinnis to receive and place on file the October Departmental Reports. All Trustees present voted aye. Motion carried.

Chairperson Porter asked if there were any other items of business. With no other items of business, the meeting was adjourned at 6:40 p.m.

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



Jerry Gowey
Board Secretary