

## **PRESS RELEASE**

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### **FOR IMMEDIATE RELEASE**

#### **Major Projects Continue; 2019 Operating Budgets Approved**

At the Tuesday night meeting of the Muscatine Board of Water, Electric, and Communications Trustees, the Board approved a recommendation to revise the project scope and budget for MP&W's Unit 9 Turbine/Generator Overhaul Project. The project, originally approved in September 2018 for a total of \$1,976,000, is being revised to cover the needed unplanned replacement of three rows of turbine blades discovered when the unit was disassembled. Addressing unplanned repairs during an overhaul project is not unusual as a detailed inspection can only be conducted once the unit is disassembled. Turbine/generator overhauls are part of the Utility's maintenance program to ensure ongoing operational reliability. The revised project budget is \$3,049,000. With the additional work, the maintenance outage will be extended and Unit 9 is expected to return to service mid-January 2019.

Additionally, the Board approved three maintenance projects totaling \$1,072,200 related to the Unit 9 Boiler. The projects were included in the 2019 Operating Budget and are being pulled forward into 2018 due to the extension of the maintenance outage. The projects include a major boiler inspection, tube repairs, and non-destructive examination on portions of steam piping. The goal is to complete as much boiler maintenance work now to minimize – or eliminate – the need for a planned maintenance outage in 2019.

The Board authorized General Manager Sal LoBianco, subject to successful negotiation and satisfactory terms, to execute a contract amendment and contract change order with Atlantic Engineering Group (AEG) to complete the Fiber to the Home Project.

MP&W's Fiber Project is well into the construction phase of converting the current hybrid fiber coax (HFC) system to 100% fiber, thus enabling the delivery of increased Internet upload and download speeds, the conversion of the cable TV system to Internet Protocol Television (IPTV) and new phone service. Approximately 20% of MP&W's customers have been converted to the all-fiber system.

In discussing what "satisfactory terms" looks like, LoBianco advised Trustees that MP&W has objected to AEG's failure to meet deadlines, its not making satisfactory progress on the project, and its

inadequate staffing. With winter weather setting in, there are issues that may arise from the incomplete field work. “We (MP&W and AEG) have been negotiating to resolve disputed items of the original construction agreement, with the goal to bring the Fiber Project to completion in 2019. The original construction contract amount of \$7.542 million is now expected to be \$8.297 million, an increase of \$755,647, which includes recently negotiated contract items and previously agreed upon pay unit and contract quantity adjustments. If an amendment is not reached soon, however,” LoBianco concluded, “MP&W will pursue its remedies under the contract, including action on the bond, legal remedies and potentially seeking out a replacement contractor. These alternatives take time and have significant costs, but MP&W remains committed to making all of Muscatine a Gigabit community.”

Jerry Gowey, Director of Finance and Administrative Services, reviewed with the Board adjustments to the Electric Utility 2019 Operating Budget (due to maintenance project work noted above). “Pulling work forward into 2018 resulted in lower expenses and increased revenue in 2019. That increased the Electric Utility’s budgeted operating results by \$2 million. Additional review of capital expenditures resulted in a reduction of \$972,300 in 2019,” explained Gowey. “There were no changes to the Water or Communications 2019 Operating Budgets,” Gowey concluded. After discussion, the Board approved the 2019 Operating Budgets.

Highlights of the approved budget include continued funding for ongoing major improvements for the City of Muscatine Corridor Revitalization Projects (Mississippi Drive and Grandview Avenue) for all three utilities, ongoing water main replacement coinciding with the City of Muscatine sewer separation projects, as well as smaller projects to build new and maintain existing water, electric, and communications infrastructure to ensure ongoing, reliable delivery of services.

“The budget assumptions continue to be designed to support the medium-term achievement of financial targets, meet the needs of our customer owners at the lowest possible cost and support the Critical Issues identified in the Strategic Plan,” said LoBianco. “The budgets reflect ongoing efforts to keep expenses and capital expenditures at conservative levels, however, capital expenditures in all three Utilities are at levels needed to address infrastructure projects in support of the core values of reliability, safety, and customer service.”

In other action:

- The Board approved a recommendation to sell 80 rail cars used for the transportation of coal for a total of \$800,000. The rail cars are excess, and MP&W has been paying approximately \$80,000 per year for storage. After the sale, MP&W will have a fleet of 155 rail cars for ongoing coal delivery.
- The 2019 Budget Estimate Summary was approved to submit to the Muscatine City Clerk.
- The Board received and placed on file revised Electric Utility Ten-Year Financial Projection.

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*Muscatine Power and Water (MP&W) is a customer-driven, not-for-profit municipal utility, established by the community to serve the community responsively, competitively, and responsibly. MP&W provides reliable electricity, high quality water, and state-of-the-art communications services, including video and broadband 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.*