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For Immediate Release

MP&W Staff Present 2020 Operating Budget, FTTH Update

At the October meeting, the Muscatine Power and Water Board of Trustees received and reviewed the Utility's 2020 Operating Budgets and 10-Year Financial Projections (2020-2029).

The Budgets show expenses maintaining at recent years' levels to complete large maintenance projects and fund major capital projects to support community betterment, as well as investments in system reliability.

"The 2020 Budget assumptions are designed to meet the growing needs of customer-owners at the lowest possible cost, support our strategic plan and achieve financial targets," said General Manager Gage Huston. "The budgets reflect ongoing efforts to keep expenses at adequate levels while still maintaining our core values of safety, customer service and reliability. All three of our utilities are in the midst of some significant capital improvement investments aimed at maintaining long-term reliability and improving the customer experience. The great part is that MPW is able to make these large investments while still forecasting very modest rate adjustments."

The 2020 Budget includes these major Utility projects:

Electric Utility

- City of Muscatine Corridor Revitalization Projects – The Electric Utility will continue to participate in and support the City's multi-year Mississippi Drive Improvement Project. Capital expenditures for this project total nearly \$6 million dollars, with \$3 million budgeted for 2020 to move overhead transmission and distribution lines underground. To support the Grandview Avenue Improvement Project, \$840,000 has been budgeted to move electric services underground and replace traffic signals and streetlights. Another \$459,000 has been budgeted to support traffic signal upgrades in support of the City's improvement project for Park Avenue.
- Line 106 – 161kV Transmission Line Construction – This multi-year project will construct a new, northern route 161kV transmission line to supplement two current transmission lines that route to the south of Muscatine. This new line will provide operational flexibility and enhance system reliability. This investment in infrastructure will ensure electric service reliability for decades. Construction is scheduled to begin in 2020 with over

\$4.4 million budgeted in 2020 (total project budgeted at \$10.2 million). MPW is partnering and cost-sharing this project with Central Iowa Power Company (CIPCO) of Wilton.

- Distributive Control System (DCS) Upgrade for Units 7, 8 and 9 – Investments in Generation totaling slightly over \$1 million dollars for the update of monitoring and control systems used to operate MPW’s generating units. One key driver for updating control systems on a routine schedule is to ensure adequate, up-to-date cybersecurity controls are in place for these critical systems.

Water Utility

- West Hill Project – In conjunction with the City of Muscatine’s West Hill Sewer Separation Project, the Water Utility evaluates the condition, and replaces as necessary, aging water infrastructure. \$638,000 has been included in the 2020 budget to install new water main, minimizing potential main breaks and saving restoration costs in the future.
- Water Tower Refurbishment – Due to the outpouring of community support, Muscatine won the state-wide competition to ‘wrap’ the water tower with artwork representing Muscatine, designed by Muscatine native Laura Palmer. Valued at nearly \$30,000, the winnings will help offset some of the total cost of refurbishing the tower. \$561,000 has been budgeted in 2020 to repair and repaint the interior and exterior surfaces of the water tower located at Bidwell Road and Highway 61 Bypass.
- City of Muscatine Corridor Revitalization Project – As part of the Grandview Avenue Improvement Project, the Water Utility will upgrade water distribution system components and water main alignments. When completed, approximately 16 valves and 8 fire hydrants will be replaced. To complete this project, a little over \$100k has been budgeted for 2020.

Communications Utility

- Fiber to the Home (FTTH) – Making Muscatine a Gigabit Community honors the 1997 voter mandate of having state-of-the-art communication services. This substantial investment enhances Muscatine’s competitiveness to attract business and industry as well as the quality of life for current residents. This project also increases ongoing reliability and will reduce maintenance requirements in the long term. Capital expenditures for completion of the project in 2020 are projected to be \$4.7 million.
- MAN/BTI Replacement – The 2020 budget includes \$500k for the upgrade of equipment and edge devices used to deliver enterprise level internet services to Muscatine’s largest and geographically dispersed businesses.

A 10-year financial projection was also given to the Trustees for review at Tuesday’s meeting. Utility staff laid out a comprehensive plan of major infrastructure projects and enhanced service offerings for Muscatine community residents in the coming years.

“Looking ahead several years gives the Utility, and ultimately our customer-owners a vision for how MPW is investing in our community’s future for continued growth and prosperity,” said Huston. “Customers can continue to expect utility rates below state and national averages wherever possible, while benefiting from the high service reliability delivered with outstanding local customer service.”

Electric Utility

The Electric Utility 10-year projection continues to indicate the utility faces ongoing but manageable challenges to ensure reasonable cash balances are available to properly sustain and operate the utility.

Capital expenditures total \$49.9 million for the next five years based on environmental compliance projects (effluent limit guidelines and cooling water intake modifications), replacement/rebuild of line trucks and dozers, Units 8 and 9 maintenance projects, replacement of the customer information/billing system, upgrades to the supervisory control and data acquisition (SCADA) system, and traffic light upgrades. Even with the multimillion-dollar projects, the Electric Utility is projected to remain debt free through the 10-year projection period. A previously announced 2% rate adjustment is planned for August 2020, with modest 2% electric rate adjustments the rest of the projection period based on known information at this time. Rates are projected to remain below state and national averages.

Water Utility

The 10-year projection for the Water Utility is like those of the previous years. The utility's revenues deliver a margin preserved by annual rate increases implemented over the past several years. For the coming six years, annual rate adjustments between 3 – 5% are projected and will be fine-tuned upon completion of Cost of Service Studies. MP&W's water rates continue to benchmark favorably, even with the anticipated increases.

Capital expenditures totaling \$8.6 million for the next five years include infrastructure replacement projects, replacement of the customer information/billing system, pumping station upgrades, valve and meter replacements. No future borrowing is anticipated in the 10-year projection.

Communications Utility

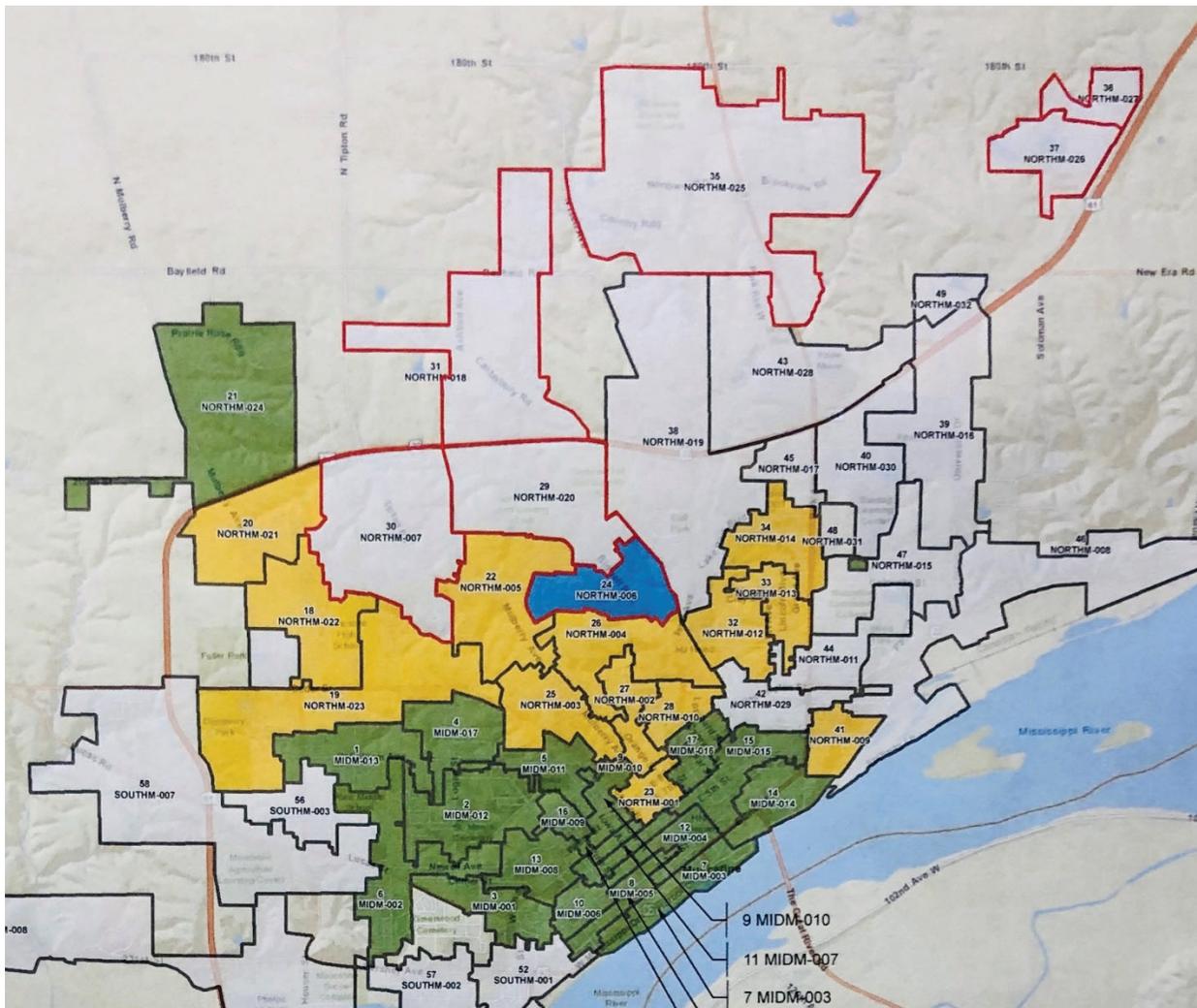
The Communications Utility includes the continued progress and completion of the Fiber to the Home (FTTH) Project in 2020 and indicates continued positive operating income. With the FTTH system, MPW is offering the fastest internet download and upload speeds in the region, more robust video features, and phone services available only with fiber.

Rates of video (cable TV) services continue to be driven primarily by drastic increases demanded by programmers, including popular cable and local networks. MPW works very hard to negotiate programming increases at the lowest possible cost, but programmers continue to demand large increases at the expense of the end-use customer. Despite these continued rate increases from content providers, communications services remain competitive; their value being further enhanced by the local customer services MPW offers. Internet pricing is expected to remain stable.

Capital expenditures total \$11 million for the next five years based on projects including the completion of the FTTH project, normal replacement of equipment and infrastructure, and replacement of the customer information/billing system. The bank loan financing the FTTH project is planned to be paid off in 2022 and no additional borrowing is anticipated in the forecast.

“As a not-for-profit organization, all income generated from consumers and outside revenue streams is reinvested into infrastructure and operations, as well as capital improvement projects outlined in the 10-year projection,” said Director of Finance and Administrative Services, Jerry Gowey. “These efforts provide for community betterment now, but also serve to prevent disruptions when possible emergency maintenance costs arise.”

Staff provided an update on the Fiber to the Home Project. The target date for Milestone #2, the unofficial end of the construction season, is November 29, 2019 (pending some expected weather-related extensions). Referencing MPW’s Fiber Construction/Installation Map (<https://www.mpw.org/communications/> - screenshot below), the goal for Milestone #2 is all premises in the Service Areas shaded Yellow (Installing Now), Blue (Installing Next), and NORTH-020, NORTH-007, NORTH-018, NORTH-025, NORTH-026, and NORTH-027 (red outline) will be ready for fiber installation by the target date. Installation of fiber services for these premises will be completed over the winter. (Note: Service Areas shaded Green are completed!)



“It will be a push, but we’re closer than we’ve ever been for achieving one of our Milestones. The snow today and what is expected later this week will slow things down from a construction perspective, but the MPW and AEG teams are aligned and very focused on achieving this

Milestone. We also completed 321 fiber installs in September, which is a new monthly high for us, and that number will be even higher for October,” updated Erika Cox, Director of Customer and Technology Experience.

In other Board action:

- A public meeting for the 2020 Annual Operating Budgets was set for November 26, 2019 at 5:28 p.m.
- The 10-year Financial Projections were received and placed on file.

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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, video, 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.