

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
OCTOBER 27, 2020 – 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, October 27, 2020, at 5:30 p.m.

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

Also present were Gage Huston, General Manager of Muscatine Power and Water; Brenda Christensen, Board Secretary; Charles Potter, Muscatine Journal; Erika Cox, Brandy Olson, Mark Roberts, Ryan Streck, and Doug White of Muscatine Power and Water (MP&W). Sandy Stanley, Frantz Silberger, and Freedom Malik-Roberts were present as members of the Muscatine Community.

Chairperson Susan Eversmeyer asked if there was anyone in attendance who wished to make any public comments. Public comment was given Sandy Stanley, member of Clean Air Muscatine and Freedom Malik-Roberts, a citizen of Muscatine.

The September 29, 2020, Board meeting minutes and the September 29, 2020, Audit/Finance Committee meeting minutes were presented as previously submitted. Trustee Bradford moved, seconded by Trustee Fields, the minutes from the September 29, 2020 regular meeting and Audit/Finance Committee be approved as submitted. All Trustees present voted aye. Motion carried.

The list of expenditures and transactions for October 2020 was presented. After review and discussion of the expenditures, Trustee Porter moved, seconded by Trustee Fields, to ratify payment of \$7,842,348.53 for the Electric Utility, \$926,587.53 for the Water Utility, and \$2,208,977.07 for the Communications Utility, for a cumulative total of \$10,977,913.13. All Trustees present voted aye. Motion carried.

As previously communicated at the August 2020 Board Meeting, the 161 kV Transmission Line 106 Project is projected to exceed the original budget expectations of \$10.2 million. Mr. Huston reminded the Board the original estimate and scope were set with minimal information and design data was not available to provide the accuracy you would see with a formal cost estimate. Mr. Streck reviewed a presentation with the Board regarding the project. He reviewed a comparison of initial cost estimates to current cost estimates, reviewed the drivers for the increased costs, reviewed the benefits to the Utility of completing the project as well as outstanding project risks. Trustee Fields asked about the risk of construction crews not being available for the project and what Staff is doing to mitigate this risk. Mr. Bradford asked for clarification on what the project cost split was and what the roles/ownership of the transmission line would be for Central Iowa Power Cooperative (CIPCO) and MidAmerican Energy. Trustee Bradford asked if there was another route option available that would not cost as much. Mr. Streck and Mr. Huston further reviewed route options and cost-cutting options considered. Trustee Bradford asked what options are available if we miss the projected project timelines. Additional discussion continued about the timeline and risks associated and how risk management will be handled.

Mr. Huston stated no Board action is required on this agenda item and approval of the revised project budget for the 161 kV Transmission Line 106 Project Construction will be included with approval of the 2021 Operating Budget at the November 2020 Board meeting. There was additional discussion about making sure MPW stays in alignment with CIPCO about CIPCO's segment of the project because the benefits of MPW's Line 106 construction will only be recognized when both the MPW and CIPCO segments are completed. Ms. Olson stated MPW and CIPCO were working on a memorandum of understanding for signatures by both organizations.

Included with the Board's meeting materials were the Ten-Year Financial Projections for 2021 through 2030 for the Electric, Water, and Communications Utilities. Mr. Roberts noted there are many large projects and changes facing MPW. He continued with a high-level review of each Utility. The Electric Utility is facing many significant changes in the coming years, especially for power supply, so in addition to a base case scenario, which includes significant capital investments in environmental compliance projects for Unit 9, a scenario was prepared, as recommended from the last Power Supply Study, which includes construction of a gas-fired combined heat and power (CHP) generating unit to replace Unit 9. That scenario was extended to the year 2039 to provide a fuller picture of financial projections for CHP unit operations. For comparison purposes, the base Electric projection was extended out to 2039 as well. Despite these significant changes, only modest rate adjustments are assumed to meet cash targets. For the Water Utility, he stated the Utility continues to be in a period of strong capital investment in infrastructure improvements, including support of City improvement projects, again with modest rate adjustments. The Communications Utility is entering a period of more stable capital expenditures after completion of the Fiber-to-the-Home project. Rates for Communications video service continue to be driven by rapidly escalating programming costs. Mr. Roberts also reviewed in more detail the assumptions, base case schedules and sensitivities for each Utility, along with scenarios for the Electric Utility. Trustee Bradford moved, seconded by Trustee Fields, the 2021-2030 Ten Year Financial Projections be received and placed on file. All Trustees present voted aye. Motion carried.

The next review item was the preliminary 2021 Annual Operating Budgets for the Electric, Water, and Communications Utilities. Mr. Roberts reviewed the proposed 2021 budget numbers for each Utility. He then discussed three of the major projects with long-term implications for MPW over the next several years and stated these projects will consume significant staffing resources. He continued with a high-level budget summary for each Utility and Project Summary Forms for Board-level capital expenditures. Trustee Eversmeyer said she liked the format this year for the budget review, and the other Trustees agreed. After discussion, Mr. Huston stated the Operating Budgets were being presented for information and comments, and approval of the Operating Budgets will be requested at the November Board meeting. He stated if any of the Trustees had questions or comments to please contact Mr. Roberts or him.

Chairperson Eversmeyer stated the State of Iowa requires a Budget Summary for all three Utilities be prepared and a public hearing conducted on the Budget Summary to provide the public an opportunity to review and present any comments regarding the published Budget Summary. It is management's recommendation the public hearing be set for November 19, 2020, at 5:28 p.m. The following resolution was submitted:

RESOLUTION 20-31

WHEREAS, the Budget Summary of the combined Electric, Water, and Communications Utilities is being prepared for the 2021 calendar year, and it is recommended that a public hearing be established for the review of said Budget Summary; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that the Budget Estimate Summary of the combined Electric, Water, and Communications Utilities be placed on file at the office of the City Clerk and at the City Library, along with MPW Offices, for any resident, taxpayer, or consumer to view; and,

BE IT FURTHER RESOLVED, that a public hearing be held on the 19th day of November 2020 at 5:28 p.m. in the Auditorium of Muscatine Power and Water's Administration/Operations Building located at 3205 Cedar Street, Muscatine, Iowa, and the notice of said hearing shall be published once in the Muscatine Journal, a newspaper of general circulation published daily in the City of Muscatine, Iowa, not less than ten (10) nor more than twenty (20) days prior to said hearing, all as required by the Code of Iowa.

Trustee Porter moved, seconded by Trustee Fields, that said resolution be passed, approved, and adopted this 27th day of October 2020. On roll call, Trustees Fields, Bradford, Porter and Eversmeyer voted aye. Voting nay, none. Trustee McGinnis was absent. Resolution carried.

Mr. Huston stated the budget assumptions continue to be designed to support the achievement of financial targets, meet the needs of our customers at the lowest possible cost, and support the Strategic Plan. The budgets reflect ongoing efforts to keep expenses and capital expenditures at adequate levels in support of the core values of safety, customer service, and reliability.

In the General Manager's report, Mr. Huston reviewed his previously submitted memorandum including a review of MPW's participation in the United Way Day of Caring and the MPW Power Breakfast being held on December 10, 2020. Mr. Huston also reviewed the recent Communications Utility outage, and Ms. Cox provided more detail of what happened, along with what is being done to make sure there is no recurrence. Trustee Bradford asked if we needed a testing environment to prevent this type of event from happening again. Mr. Huston stated there would be a bill credit for customers. Mr. Bradford asked what the total cost on the bill credit to customers, Mr. Huston said he would get those numbers to the Trustees.

The next item on the agenda was to receive and place on file the Financial Results Summary and September Financial Operating Statements and Balance Sheets for each Utility and the Quarterly Investment Report. After review by Mr. Roberts, Trustee Fields moved, seconded by Trustee Porter, the Summaries and September Financial Operating Statements and Balance Sheets for the Electric, Water, and Communications Utilities and the Quarterly Investment Report be received and placed on file. All Trustees present voted aye. Motion carried.

Mr. Huston reviewed the Competitive Quotes for Public Improvements. Trustee Fields moved, seconded by Trustee Bradford, to receive and place on file the Competitive Quotes for Public Improvements. All Trustees present voted aye. Motion carried.

The Monthly Project Status Report and Variance Analysis were presented as previously submitted to all Board members. Trustee Fields moved, seconded by Trustee Porter, to receive and place on file the Quarterly Project Status Report and Variance Analysis. All Trustees present voted aye. Motion carried.

The Critical Issues and Key Performance Indicators Presentation for the Electric, Water, and Communications Utilities was the next agenda item. Mr. Huston suggested due to time already spent on previous presentations that the Trustees ask any questions they may have regarding the information provided in the Critical Issues and Key Performance Indicators Presentation. Ms. Olson provided an update on cyber security at the request of Trustee Bradford. Mr. Huston provided more detail on the recent penetration testing completed at the Utility. Trustee Fields moved, seconded by Trustee Porter, to receive and place on file the 2020 Third Quarter Critical Issues and Key Performance Indicators for the Water, Electric, and Communications Utilities. All Trustees present voted aye. Motion carried.

Mr. Huston reviewed the August 2020 Departmental Reports and Ms. Cox provided a Fiber to the Home Project update. Trustee Fields moved, seconded by Trustee Porter, to receive and place on file the September Departmental Reports. All Trustees present voted aye. Motion carried.

The meeting was adjourned at 8:05 p.m.

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THE CITY OF MUSCATINE, IOWA



Brenda Christensen
Board Secretary