

PRESS RELEASE

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Muscatine Power and Water
3205 Cedar Street
P.O. Box 899
Muscatine, IA 52761

Contact: Erika Cox
Phone: 563-262-3305
FAX: 563-262-3315

FOR IMMEDIATE RELEASE

New Timeline for Fiber Project Reached

At Tuesday's meeting of the Board of Water, Electric and Communications Trustees, the Board was updated by Sal LoBianco, General Manager, on the status of negotiations with Atlantic Engineering Group (AEG), MP&W's contractor for its Fiber to The Home (FTTH) Project. As reviewed during previous Board Meetings, the schedule for the FTTH Project was falling more and more behind when Staff began discussions with AEG about what was needed to complete the project in a timely manner. MP&W and AEG, additionally and simultaneously, pursued arbitration over disputed matters.

Both MP&W and AEG had claims against each other that were before an arbitrator. MP&W's issues centered around the fact that construction progress significantly lagged behind schedule and AEG had not adequately staffed the underground construction part of the project. MP&W has been satisfied, overall, with the quality of work; however, the lack of resources assigned by AEG to the project locally has been the main concern. AEG disputed the scope and pay for a few key pay units related to the underground work. While Staff believes MP&W's legal position in the arbitration was very strong, consideration was given to the cost and effect of additional delays affecting the project if legal remedies continued as arbitration would have lasted well into 2019, continuing to delay completion of the project.

Talks between MP&W and AEG continued, and a new Term Sheet was agreed to in October; work then began to develop a contract amendment reflecting the revised terms agreed to by the parties. During the November Board Meeting, the Board authorized LoBianco to enter into the Contract Amendment subject to successful negotiation reflecting the newly agreed upon terms. Negotiations regarding the amended terms continued throughout December and January. LoBianco was finally satisfied that the amended language and contract change order met the spirit of the new Term Sheet and executed the documents in January. The Board ratified the Contract Amendment and Contract Change Order during the evening's meeting.

The new timeline for the FTTH project provides for all Communications' customers to be installed on the new fiber system by yearend 2019. As a compromise, MP&W agreed to modify the scope and pay for the disputed underground units. In exchange for the agreement to pay approximately \$390,000 more for some portions of the underground work, AEG is now required to meet certain performance milestones throughout the next nine months and increase its staffing on the project. The milestones in the Contract Amendment include delay damages should AEG miss the timeline targets.

Departmental reports indicate approximately 26% of MP&W's Communications' customers have been converted to the all-fiber system. Although customer conversions are lagging, other facets of construction are 30 – 80% complete; therefore, both MP&W and AEG believe completion of the project in 2019 is achievable.

While MP&W is disappointed the FTTH project is extending into 2019 and recognizes the inconvenience this puts on the community, continuing to move forward with AEG under revised terms is a far more economical and timely option than litigation or rebidding the project with a replacement contractor. MP&W is also realigning its resource commitment to the project to keep pace with AEG's new timelines. Once the weather improves, a significant increase in work on the FTTH project is expected.

In other news, the Board:

- Set March 7, 2019 as the date for the receipt of bids for the construction project to remodel the A/O Center Main Lobby. The Public Hearing for this project was set for March 26, 2019.
- Received a copy of an article written about MP&W by the Iowa Association of Municipal Utilities for their IAMU Connection Magazine (attached). IAMU represents and advances the interests of over 750 municipal broadband, electric, gas and water utilities statewide.
- The Board received a tour of the newly reinforced Network Operations Center which houses much of the equipment that is used to receive video, internet, and phone signals and then distribute those services to customers. The reliability project was undertaken to reduce the risk severe weather may have on the Utility's ability to deliver those services to its customers. MP&W will host a public Ribbon Cutting event with GMCCI February 12, at 11:30 a.m.

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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 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.



Member Spotlight: MUSCATINE POWER & WATER

Muscatine Power and Water (MP&W) has been a backbone of the Eastern Iowa Mississippi River community of roughly 24,000, serving customer-owners with dependable, safe, low-cost electric, water, and communications services.

Most of its more than 260 employees live in Muscatine and take personal pride in the jobs that they do. Many changes have taken place since MP&W's early years, but the guiding principles have remained the same: commitment to providing outstanding, local customer service and dedication to delivering the most reliable, affordable, and safest utility services possible.

The municipal electric, water, and communications utilities are three separate enterprises, owned by the City of Muscatine and operated on a not-for-profit basis for community benefit. Each utility was created by the Muscatine residents, who voted for the utilities because the private services that they were being provided were not meeting their needs.

The people of Muscatine realized municipal utilities have many distinct,

beneficial characteristics. One of the most important benefits is local control. Today, complete control and management of each utility is vested in an independent five-member Board of Water, Electric, and Communications Trustees appointed by the City of Muscatine's Commission Nominating Committee and approved by the city council. With a board composed of local representation, customers can be assured that decision making considers local needs.

"I believe Power and Water provides many benefits to the community," explained Sal LoBianco, MP&W General Manager. "First and foremost, we deliver utility services safely, reliably, and at rates below the national averages. With outstanding local customer service, we help businesses stay competitive in their local and global markets... We are friends and neighbors serving friends and neighbors."

MP&W has a tradition of investigating and investing in forward-thinking projects and that approach continues today.

Electric

MP&W is currently is the planning

stage of a multi-year, \$11.3 million project to add a 161 KV transmission line. The joint project, being planned with a neighboring utility, will provide a transmission line on the northside of Muscatine and allow for route diversity, which will help to ensure continued system reliability and provide for operational flexibility. Construction is expected to begin in late 2019, and the transmission line is expected to be in service by 2021 or early 2022.

MP&W is also overhauling the Unit 9 turbine generator. It's a major project that the Electric Utility does on a regular basis to make sure equipment continues to operate reliably. The 34-ton turbine rotor drives the 45-ton generator rotor. The system runs at 3,600 rpms. This requires a significant amount of precision tolerance where 1/20,000 of an inch matters.

"That much mass operating within that tight of a tolerance is a pretty complex system that we operate here," Gage Huston, MP&W Power Production and Supply Director, explained at Muscatine's recent 2nd Annual Power Breakfast.

Examination of the turbine blades indicated that three rows of those



blades needed to be replaced and that required the turbine rotor to be sent off site for service – the first time since 1983 when the turbine went into service. MP&W does have to augment skilled labor from time to time with some contractor labor, such as in this case, but the utility tries to use in-house labor as much as possible.

“It really helps to keep costs down,” Huston said. “It also provides that ownership in the repairs that are being made because our folks know that they are the ones that have to own the repairs going forward and most of them are customers of ours as well.”

Looking toward the future, MP&W is committed to exploring and using renewable energy, including power generated from the South Fork Wind Farm, which MP&W has contracted for its output. The 13-Megawatt (MW) South Fork Wind Farm includes six wind turbine-generators that have been in operation since December 2016. MP&W has just launched its Renewable Energy Offset Program. Residential customers can sign up to offset power usage at their homes with renewable energy at a 25-percent, 50-percent, or 100-percent level. The offsets will be directly tied to the energy that comes off the wind farm. The cost is just 1 cent/kWh extra from what customers are currently paying.

Water

On the water side, MP&W engages in numerous activities to make sure customers continue to receive the

best quality water possible. This includes yearly maintenance tasks. Most notable are the flushing of mains.

“Even though, it’s an inconvenience to our customers, it is an important

aspect of maintaining a water system,” Tim Reed, Utility Service Delivery Director, told those at the Power Breakfast. “If we didn’t do that, water mains would build up with minerals. It corrodes the pipes, makes the valves not operate and ends up causing discolored water randomly throughout the year. We want to prevent that as much as possible.”

Maintaining system reliability also means making investments in improvements and expansions. The recent Grandview Avenue wellfield project nearly doubles the size of the existing wellfield and provides additional capacity for wells that should last Muscatine for the next 20 to 30 years.

To treat the water from the additional wells, the water treatment plant needs to expand. That project is currently under way and will support any demands that Muscatine has for the next 25 years. MP&W expects the contractor to wrap up efforts soon.

Communications

Meeting customer needs and anticipating expansion for the future is a focus of the communications utility as well. MP&W started converting customers to a fiber system in May 2017. So far, 22 percent of

the customers have been converted (2,200 residential and 64 commercial). With the switch to fiber, MP&W can offer new phone service, too.

To ensure that communications remain operational no matter the weather, MP&W also recently undertook a project to put a protective shell around its Network Operations Center (NOC). The NOC houses critical data center equipment. MP&W wants to remove the risk of damage from natural disasters such as tornadoes. MP&W is protecting the equipment and infrastructure by either placing it behind concrete walls or moving it underground. The concrete walls are designed to withstand over 250 mph winds.

Commitment to the community

All of the efforts that MP&W takes – whether it’s making sure existing equipment and technologies are maintained or investing in new, upgraded, or expand service – come down to providing customers what they need and want so Muscatine continues to be a vibrant community.

“It’s all about making the community better,” LoBianco said.

MP&W History

1900: The water system became municipal on June 4, when the city accepted an offer from Muscatine Water Work, a private company, to purchase its entire plant and properties for \$100,000. Voters ratified the Council’s action in a special election



held July 10. The purchase and transfer of properties were completed in December.

1904: Muscatine completed a \$60,000 project to construct wells, a collecting main, and a new steam-pumping plant to get groundwater that originates from the Muscatine Island Aquifer to the city. Muscatine Island continues to provide all of the water requirements of residents and industries.

1922: Muscatine Electric Light Company was formed in response to local concerns about poor service from privately held electric companies.

1923: A contract for \$375,000 was awarded to construct a new electric plant and distribution system and to electrify the water works plant.

1924: New electric plant work was completed. On June 5, the first application for electric service was made by Mayor Joseph B. Miller who was assigned meter number one. The Municipal Electric Utility placed in service two 750-kW generators.

1926: The Municipal Electric Board submitted a bond issue for the construction of Unit 3.

1927: 1.5 megawatts of additional generation were placed in service, doubling generating capacity.

1930: A fourth generation unit was placed in service. Unit 4 was much larger, rated at 5 megawatts.

1939: Unit 5, a 7.8-megawatt facility, again almost doubling the Electric Utility's total generation.

1942: The Unit 1 generator was retired from service.

1948: The 13.3-megawatt Unit 6 generator was added.

1958: The Unit 7 generator, at 23.3 megawatts, was placed into service. Unit 2 was retired.

1969: The Unit 8 generator entered service, supplying the city with an

additional 80 megawatts of energy.

1973: The Unit 3 and 4 generators were retired.

1983: The 156-megawatt Unit 9 generator was built and placed into service.

1985: The Unit 5 and 6 generators were retired.

1996: A community taskforce headed by the Muscatine Chamber of Commerce and the Muscatine Development Corporation completed a study indicating Muscatine residents were unhappy with Muscatine's current communications providers.

1997: The public passed a referendum with 94 percent approval, allowing MP&W to proceed with a Communications Utility.

1999: High-speed MachLink Internet and MPW Cable were launched.

2000: The Unit 8A generator, 18.75 megawatts driven by a turbine designed to provide a source of process steam to sell to a neighboring industry, was constructed and placed into service.

2002: The Board of Trustees ratified an agreement allowing MP&W to purchase the communications system owned by Mediacom Communications, allowing MP&W to gain 3,900 new communications customers when the agreement closed in 2003.

2003: Two wireless transmitters were added to the MachLink network to increase the range and quality of wireless Internet access service. Video on Demand services started.

2004: MP&W began offering customers the opportunity to participate in "green energy" alternatives. GREEN MUSCATINE was initiated to help fund the acquisition and installation of two solar panels. Together, these panels produce 4,050 kWh of electricity annually, offsetting greenhouse

gas emissions by 5.3 tons per year. **2005:** MPW Cable added high-definition television service.

2006: MP&W installed a demonstration wind turbine on its property funded by contributions to the Green Muscatine Program. Since put in place, the turbine has saved 13,926 pounds of carbon dioxide, equivalent to the energy to power 223 homes for one day or the pollution an average passenger car emits over 508 days.

2008: An all-digital conversion of the CATV system began.

2011: MP&W was named Small Power Plant of the Year by the Powder River Basin (PRB) coal users' group.

2014: MP&W received a prestigious award from the American Public Power Association, which designated the Electric Utility as a Diamond Level Reliable Public Power Provider (RP3). The Diamond designation is the highest level RP3 award that a public power utility can achieve.

2017: As part of the conversion of final mile coaxial cable to all fiber system (Fiber to the Home Project), MP&W launched fiber Internet with top speeds of 1000/500 Mbps and internet-protocol television (IPTV) as part of its fiber to the home project.

2018: The first customers were converted from the legacy HFC system to the all-fiber system. MP&W launched voice-over internet protocol (VoIP) phone services. MP&W maintains and operates its legacy and all new fiber system until all customers are converted to fiber (estimated 2019).

By the Numbers

Employees

Electric – 194
Water – 29
Communications – 43

Customers

Electric – 11,500
Water – 9,900
Communications – 9,630 