

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
APRIL 27, 2021 – 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, April 27, 2021 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, Tracy McGinnis, Keith Porter and Susan Eversmeyer.

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. Jodi Dobson and Ryan O'Donnell with Backer Tilly US, LLP (BT) and Dave Berg of DBC Consulting joined the meeting virtually. Additional attendees were Sandy Stanley and Freedom Malik-Roberts of Clean Air Muscatine.

Chairperson Eversmeyer asked if there was anyone in attendance who wished to make any public comments. Public comments were provided by Freedom Malik-Roberts, and Sandy Stanley. Chairperson Eversmeyer thanked everyone for attending and for their public comments.

Freedom Malik-Roberts left the meeting at 5:35 p.m.

The minutes of the March 30, 2021, regular meeting and A/F Committee meeting were presented as previously submitted to all Board members. Trustee McGinnis moved, seconded by Trustee Fields, that the minutes be approved as submitted. All Trustees voted aye. Motion carried.

The list of expenditures and transactions for March 2021 was presented as previously submitted to all Board members. Mr. Huston reviewed the Accounts Payable Expenditures. Trustee Fields moved, seconded by Trustee Porter, to ratify payment of \$4,796,748.20 for the Electric Utility, \$543,810.20 for the Water Utility, and \$1,347,578.54 for the Communications Utility for a cumulative total of \$6,688,136.94. All Trustees voted aye. Motion carried.

Mr. Huston stated due to company travel restrictions, the 2021 MPW Audit would be reviewed with BT virtually. Mr. Roberts introduced Jodi Dobson and Ryan O'Donnell of BT. Mr. O'Donnell said an Audit/Finance (A/F) Committee meeting had been held before the Board meeting with an in-depth review of the MPW Audit and he would provide the full Board a high-level review of the Audit results. The Board was directed to the presentation in their Board packet. Mr. O'Donnell continued the MPW Audit went well and MPW received an unmodified opinion. Compliance was tested to State of Iowa Standards and no significant deficiencies were noted. He also said from the perspective of BT, the audit was clean and Staff was doing a great job. Mr. O'Donnell thanked the Board for allowing BT to have been MPW's audit firm over the past several years and thanked the MPW Accounting & Finance Staff and Management who had

participated in the Audit. Mr. Roberts thanked Mr. O'Donnell for the help during this audit and Staff for their part in the Audit. Mr. Huston stated even though the Audit had to be done virtually and the Accounting Department had many new employees, things went well, and he was happy with the results.

Mr. O'Donnell and Ms. Dobson left the meeting at 5:45 p.m. David Berg of DBC Consulting joined the meeting.

The next agenda item was a memo recommending Baker Tilly US, LLP (BT) continue to be retained as the auditors for the MPW 2021 Audit. Mr. Huston explained the Audit/Finance Committee had discussed BT performance and fees and the Committee was recommending the continued engagement. The 2020 Audit was the second year of a three-year agreement, with the final year being the 2021 Audit. Trustee Bradford moved, seconded by Trustee Fields, that Baker Tilly US, LLP be retained as the Auditors for the 2021 Audit. Motion carried. All Trustees voted aye.

Mr. Huston moved to the next agenda item, which was a review of the Cost of Service and Rate Design Study for the Electric Utility, completed by DBC Consulting. Mr. Dave Berg was also participating virtually in the Board meeting due to travel restrictions. Mr. Berg was engaged to complete a Cost of Service (COS) and Rate Design Study. He had reviewed the results of the Study with the Audit/Finance Committee prior to the Board meeting. Mr. Huston continued Management is recommending a 2% electric revenue increase, to be effective August 1, 2021, and a similar increase effective July 1, 2022 and the recommended 2022 increases were lower than the assumptions included in the Electric Utility's most recent Ten-Year Financial Projection. Management believes the increases, even though lower, are still necessary to maintain the long-term financial stability of the Utility. He said the timing change for the July adjustment in 2022 is recommended so the water and electric rate review and adjustment timing is in sync for all to occur on July 1 of each year, if needed. Mr. Roberts reviewed the process for the COS and Rate Design Study and introduced Mr. Berg to review the summary of the COS and the rate design results. Mr. Berg reminded the Board that a COS analysis is not an exact science. He reviewed the costs to serve each customer class vs. the revenue each class provides, along with the Utility's projected operating results over the next few years. He reviewed proposed rate adjustments and provide a comparison of MPW rates with other Iowa community rates. Mr. Roberts stated even with the recent and proposed rate increases, MPW's rates remain competitive and below State and National averages. Mr. Huston continued the proposed rate plans had been reviewed with the two largest customers, GPC and Monsanto, and all Industrial I and II customers would receive a letter summarizing the proposed rate adjustments when approved by the Board. After further discussion and review, the following resolution was submitted:

RESOLUTION 21-10
ELECTRIC UTILITY RATE ADJUSTMENT

WHEREAS, certain studies have been made of the financial condition of the Electric Utility and presented to the Board of Water, Electric, and Communications Trustees for its consideration; and,

WHEREAS, the Board has reviewed these studies and determined a revenue increase is necessary to keep the Electric Utility in sound financial condition; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that electric revenue be increased by 2.0% effective with electric billings after August 1, 2021 and by another 2.0% effective with electric billings after July 1, 2022.

BE IT FURTHER RESOLVED, that said increases be effected by adoption of the rates for each customer class delineated in the April 5, 2021 Electric Cost of Service and Rate Design Study completed by Dave Berg Consulting, LLC; and,

BE IT FURTHER RESOLVED, that proper notice be given to contract consumers in accordance with the terms of the contracts.

Trustee Bradford moved, seconded by Trustee McGinnis, that said resolution should be passed, approved, and adopted on this 27th day of April 2021. On roll call Trustees Bradford, McGinnis, Porter, Fields and Eversmeyer voted aye. Voting nay, none. Resolution carried.

Mr. Berg reviewed the summary of the COS and the rate design results for the Water Utility. He continued the Water Utility's costs are reviewed similar to the Electric Utility costs and are also based on the cost to serve various classes of customer and broken out by various rate components reflecting customer, demand, and commodity related costs. The proposed rate adjustments for the various customer classes and rate components are recommended based on an effort to closely align revenues with the cost of providing water services to MPW's customers, by class of customer. He also provide a comparison of MPW rates with other Iowa community rates. Mr. Huston told the Board that Staff takes rate adjustment very seriously. After further discussion and review, the following resolution was submitted:

RESOLUTION 21-11
WATER UTILITY RATE ADJUSTMENT

WHEREAS, certain studies have been made of the financial condition of the Water Utility and presented to the Board of Water, Electric, and Communications Trustees for its consideration; and,

WHEREAS, the Board has reviewed these studies and determined a revenue increase is necessary to keep the Water utility in sound financial condition; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa that water revenue be increased by 4.0% effective with water billings after July 1, 2022.

BE IT FURTHER RESOLVED, that said increases be effected by adoption of the rates for each customer class delineated in the April 5, 2021 Water Cost of Service and Rate Design Study completed by Dave Berg Consulting, LLC; and,

BE IT FURTHER RESOLVED, that proper notice be given to contract consumers in accordance with the terms of the contracts.

Trustee Fields moved, seconded by Trustee Bradford, that said resolution should be passed, approved, and adopted on this 27th day of April 2021. On roll call Trustees Bradford, McGinnis, Porter, Fields and Eversmeyer voted aye. Voting nay, none. Resolution carried.

Dave Berg left the meeting at 6:15 p.m.

Mr. Huston told the Board the next item for review was 2020 revisions to PURPA. He stated these were only revisions, not standards, so no Board action was required and the revisions were related to qualifying facilities, which MPW does not have on its system. Mr. Huston provided a brief review on the following standards: (1) Flexibility in Establishing Avoided Cost Rates for Qualifying Facility (QF) Sales, (2) Variable Energy Rates During the Life of the QF Contract, (3) Modification of the "One-Mile Rule" and Reduced Rebuttable Presumption from 20 MW to 5 MW, and (4) QF Self-Certification.

The next agenda item was a recommendation to approve an addendum to the MPW Utility Procurement Policy. Mr. Huston stated changes to this policy are being driven by the fact that MPW is seeking reimbursement for costs related to the 2020 derecho storm. MPW submitted a reimbursement request to FEMA on November 11, 2020 and revised the request on March 11, 2021 to include the MPW Utility Procurement Policy. On Tuesday April 13, 2021 the Iowa Homeland Security and Emergency Management Department (IHS) project officer responded our Utility Procurement Policy did not meet the current federal regulations for Federal reimbursement and an amendment would need to be adopted by the board to qualify. IHS was able to provide a suggested amendment. For the MPW claim and to meet the requested timeline, this amendment is being presented for board consideration and approval. The Utility Procurement Policy will be presented again at the June Board meeting as part of the Board Policy Manual review and will have this or similar amendment included. Trustee McGinnis moved, seconded by Trustee Porter to approve the amendment to MPW's Utility Procurement Policy.

At the March 18, 2021, Muscatine City Council meeting, the Council approved recommendations for appointments to City boards and commissions. Mr. Huston stated Kevin Fields was reappointed to the Board of Water, Electric, and Communications Trustees for a six-year term of July 1, 2021 through June 30, 2027. Trustee Porter moved, seconded by Trustee McGinnis to receive and place on file the certificate of appointment for Kevin Fields to the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa. All Trustees voted aye. Motion carried.

The next item on the agenda was the General Manager Report. Mr. Huston reminded the Board that Staff has been investigating the impact of significant water usage increase and what results increased usage will have on meeting summer demand. After performing a maximum pumping test on our wells, Staff has determined summer demand can be met but the Utility will not be able to maintain the typical level of reserve capacity. Continuing with no contingency reserves could put MPW in a vulnerable position. He continued with the increased water usage tied closely to additional electric revenue, Staff recommends taking steps to increase reserve capacity to avoid a potential curtailment event and is recommending the investment of additional dollars to complete Well 47. The work of the contractor on the initial project is currently in litigation. Legal counsel determined continuing development of the well would not adversely affect the pending legal outcome and Staff has identified a contractor with the

capability to finish development of the well and put it in service before the expected summer demand peak. He said a revised Project Summary Form would be presented at the May Board meeting that would incorporate updated cost estimates, but that work would commence immediately to get the well recommissioned. Mr. Huston reminded the Board Staff would be holding a virtual Customer Forum to provide updates regarding the Power Supply Study. He also provided an update on contract negotiations with AMC. The contract expires on May 1 and currently AMC is demanding significant increases at a time when the channel is having reduced viewership. Mr. Huston said negotiations are ongoing, but channels could go black on May 1. Ms. Cox stated a letter with these details would be sent out to notify customers of the ongoing negotiations and a survey would be sent out by email to gauge customer interest in the channel.

The March Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members. Mr. Roberts reviewed the MPW dashboard and the March Financial Results Summary for each Utility. He also reviewed the Quarterly Investment Report.

There were no entries on the Competitive Quotes for Public Improvements Report.

Mr. Huston reviewed the Project Status Report and Variance Analysis.

The 2021 1Q Strategic Plan Update and Key Performance Indicators for the Electric, Water, and Communications Utilities were reviewed.

Mr. Huston provided a high-level review of the March Departmental Reports.

Trustee McGinnis moved, seconded by Trustee Bradford to receive and place on file the April 2021 Utility Reports. All Trustees voted aye. Motion carried.

The meeting was adjourned at 8:15 p.m.

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THE CITY OF MUSCATINE, IOWA



Brenda Christensen
Board Secretary