

**OFFICIAL PROCEEDINGS OF THE  
BOARD OF WATER, ELECTRIC,  
AND COMMUNICATIONS TRUSTEES  
OF THE CITY OF MUSCATINE, IOWA  
MARCH 31, 2015 – 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 Thursday March 31, 2015, at 5:30 p.m.

Chairperson McGinnis called the meeting to order. Members of the Board were present as follows: Trustees Warren Heidbreder, Steven Bradford, Susan Eversmeyer, Doyle Tubandt, and Tracy McGinnis.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Ryan O'Donnell of Baker Tilly Virchow Krause, LLP (BT); Charles Potter, Muscatine Journal; Erika Cox, Tim Reed, Gage Huston, Brandy Olson, and Brenda Christensen of Muscatine Power and Water.

Chairperson McGinnis asked if there was anyone in attendance who wished to make any public comments. There were no comments.

The minutes of the February 24, 2015, regular meeting were presented as previously submitted to all Board members in written form. Trustee Bradford moved, seconded by Trustee Eversmeyer, that the February 24, 2015, regular meeting minutes be approved as submitted. All Trustees voted aye. Motion carried.

The list of expenditures and transactions for February 2015 was presented as previously submitted to all Board members in written form. After review and discussion of the expenditures, Trustee Heidbreder moved, seconded by Trustee Tubandt, to ratify payment of \$9,970,032.62 for the Electric Utility, \$381,254.61 for the Water Utility, and \$862,855.06 for the Communications Utility for a cumulative total of \$11,214,142.29. All Trustees voted aye. Motion carried.

The next agenda item was a recommendation to tentatively approve plans and specifications of the A/O Roof Replacement Phase 2 Project and set dates for the receipt of bids and to conduct a public hearing for the A/O Roof Replacement Phase 2 Project. Mr. LoBianco reviewed the previously submitted memorandum to all Board members explaining that this project had been approved with the 2015 Operating Budget for a total expenditure of \$190,000 to replace roof Section A and the translucent roofing panels over the high tech hallway. After discussion, the following resolution was submitted.

**RESOLUTION 15-05**

WHEREAS, plans and specifications have been prepared for the A/O Roof Replacement Phase 2 Project; and,

WHEREAS, said proposed plans and specifications and proposed form of contract were now on file with the Secretary of the Board and the Board finds the same were

in substantial conformity with the requirements necessary to carry out said plans; now therefore, A/O Roof Replacement Phase 2 Project plans and specifications were tentatively approved; and,

BE IT FURTHER RESOLVED, that the date of April 9, 2015, at 3:00 p.m., was hereby set for receipt of bids on said project at which time the Board's duly appointed representative was hereby authorized, empowered, and directed to receive, open and read aloud all sealed bids, and receive and record all oral bids, and keep a written record of said proceedings and notice to bidders be published not less than twenty (20) days nor more than forty-five (45) days prior to said date for receipt of bids all as required by the Code of Iowa; and,

BE IT FURTHER RESOLVED, that the hearing on said plans and specifications and proposed form of contract as provided by statute, be held in the office of the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, on April 28, 2015, at 5:28 p.m., and notice to bidders be published not less than four (4) days nor more than twenty (20) days prior to said hearing all as required by the Code of Iowa.

Trustee Bradford moved, seconded by Trustee Eversmeyer, that said resolution should be passed, approved, and adopted on this 31<sup>st</sup> day of March 2015. On roll call Trustees Heidbreder, Bradford, Eversmeyer, Tubandt, and McGinnis, voted aye. Voting nay, none. Resolution carried.

The next item on the agenda was a recommendation to receive and place on file the 2014 Audit for the Electric, Water, and Communications Utilities. Mr. Gowey introduced Ryan O'Donnell of Baker Tilly Virchow Krause LLP (BT) and stated that Mr. O'Donnell would review the recently completed independent audit for MP&W covering the calendar year 2014. Mr. O'Donnell directed the Committee to the previously submitted material regarding Muscatine Power and Water's 2014 Audit. This material included a PowerPoint presentation prepared by the auditors that covered the audit overview and auditor's communication with those charged with governance. A copy of the Management Representation Letter to the Auditors was also included in the packet. He told the Board that the Board's Audit/Finance Committee, which includes Trustees Heidbreder and Bradford, had met with the General Manager, the Director of Finance and Administrative Services, along with himself and Mr. Russ Hissom by phone, on Tuesday, March 31, 2015, prior to the full Board meeting to discuss the audit in detail. He continued that the audit was performed in accordance with all Generally Accepted Auditing Standards and that MP&W Staff had provided full transparency and opened all records. He stated that the MP&W Audit went well; that no adjusting entries were required of the Utility financial statements, and that MP&W was in compliance with all Iowa State auditing standards with no exceptions noted. The MP&W financial statements received an Unqualified Opinion. After review of the Audit Presentation, Trustee Heidbreder moved, seconded by Trustee Tubandt, to receive and place on file the 2014 Audit of the Electric, Water, and Communications Utilities. All Trustees voted aye. Motion carried. Mr. LoBianco and the Board both thanked the Accounting Staff and Management for all their work during the audit process.

Mr. Russ Hissom of Baker Tilly Virchow Krause LLP (BT) joined the meeting by phone at 5:50 p.m.

Mr. Gowey stated that the next agenda item would be reviewed by Mr. Hissom; information was previously distributed to all Board members in the Board packet that pertained to the Cost-of-Service/Rate Design Study for the Electric Utility, completed by BT. Mr. LoBianco continued that this Study provides a basis for allocating a four percent electric rate increase to the various customer classes, effective August 1, 2015, and a similar increase August 1, 2016; the recommended increases are consistent with the Utility's 10-Year Financial Projections and 2015 Budget. He stated that the primary drivers necessitating the increase were continued depressed wholesale energy margins, increases in coal and coal transportation costs, increases in operating and maintenance expenses, and capital expenditures required to maintain and improve Utility infrastructure and facilities. Mr. LoBianco stated that a separate meeting was held with the Audit/Finance Committee to review the Study in detail; the Committee was supportive of the proposed rate increase by customer class as designed in the Study. Mr. LoBianco asked Mr. Hissom to review the Study and answer any questions the Board might have. Mr. Hissom reviewed the BT presentation titled Revenue Requirement, Cost of Service, and Rate Design Project. After Mr. Hissom's review, Mr. LoBianco stated that all findings in the Study were consistent with what Management had expected and even with the recent and proposed rate increases, MP&W's rates remain competitive and below state and national averages. Mr. LoBianco continued that this evening's presentation is for information only and action will be requested at the April Board of Trustees meeting.

Mr. O'Donnell and Mr. Hissom left the meeting at 6:00 p.m.

Mr. LoBianco reviewed the previously submitted memorandum to all Board members regarding designating the week of May 3-9, 2015, as Drinking Water Week. Mr. LoBianco stated that the week is a unique opportunity for both water professionals and the communities they serve to join together in recognizing the vital role water plays in our daily lives. The following resolution was submitted:

**RESOLUTION 15-06  
DRINKING WATER WEEK MAY 3-9, 2015**

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa wish to recognize its customers and employees during Drinking Water Week; and,

WHEREAS, the citizens of Muscatine are both owners and consumers of Muscatine Power and Water which provides our homes, businesses, farms, and local government agencies with reliable, efficient, and cost-effective water, electric, and communications services by employing sound business practices designed to ensure the best possible service at the lowest possible rate; now therefore,

BE IT RESOLVED, that the Board of Trustees request that the Mayor and City Council designate the week of May 3-9, 2015, as Drinking Water Week in Muscatine, in order to honor Muscatine Power and Water, its consumer-owners, and its employees, who

work together to provide the best possible water, electric, and communications services; and,

BE IT FURTHER RESOLVED, that Muscatine has joined hands with other communities across the nation to celebrate the benefits of a consumer-owned utility for our local and national progress.

Trustee Bradford moved, seconded by Trustee Tubandt, that said resolution should be passed, approved, and adopted on this 31<sup>st</sup> day of March 2015. On roll call Trustees Heidbreder, Bradford, Eversmeyer, Tubandt, and McGinnis, voted aye. Voting nay, none. Resolution carried.

In the General Manager's report, Mr. LoBianco reviewed his previously submitted memorandum that included an update submitted by Ms. Olson regarding the APPA Legislative Rally.

The February Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Govey reviewed the February financials for each Utility. Trustee Heidbreder moved, seconded by Trustee Tubandt, to receive and place on file the February Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. All Trustees voted aye. Motion carried.

The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members in written format. There were no items for approval. The report was received and placed on file.

The February Departmental Reports were presented as previously submitted to all Board members in written form. Trustee Eversmeyer moved, seconded by Trustee Bradford, to receive and place on file the February Departmental Reports. All Trustees voted aye. Motion carried.

The meeting was adjourned at 6:15 p.m.

BOARD OF WATER, ELECTRIC, AND  
COMMUNICATIONS TRUSTEES OF THE CITY  
OF MUSCATINE, IOWA



Jerry Govey  
Board Secretary

**MINUTES OF THE  
BOARD OF WATER, ELECTRIC, & COMMUNICATIONS TRUSTEES  
AUDIT/FINANCE COMMITTEE MEETING  
MARCH 31, 2015 – 4:30 P.M.**

The Board of Trustees Audit/Finance Committee met at Muscatine Power and Water's Administration Building, 3205 Cedar Street, Muscatine, Iowa, on Monday, March 31, 2015, at 4:30 p.m.

Members of the Committee were present as follows: Committee Chairperson Steven Bradford and Trustee Warren Heidbreder.

Present from Muscatine Power & Water were Sal LoBianco, General Manager; Jerry Gowey, Director Finance and Administrative Services; and Brenda Christensen, Executive Assistant. Ryan O'Donnell of Baker Tilly Virchow Krause, LLP (BT) was in attendance and Russ Hissom of BT was present by telephone for Audit Report review.

Trustee Bradford called the meeting to order.

Mr. O'Donnell directed the Committee to the previously submitted material regarding Muscatine Power and Water's 2014 Audit. This material included a PowerPoint presentation prepared by the auditors that covered the audit overview and auditor's communication with those charged with governance. A copy of the Management Representation Letter to the Auditors was also included in the packet. Mr. O'Donnell reviewed the auditor's responsibilities. He communicated that the total audit hours were approximately 350 hours and internal controls in all key areas were examined. He continued that the audit was performed in accordance with all Generally Accepted Auditing Standards and that Staff had provided full transparency and opened all records. He stated that the MP&W Audit went well; no adjusting entries were required of the Utility financial statements and MP&W was in compliance with all State auditing standards with no exceptions noted. The MP&W financial statements received an Unqualified Opinion. Next, Mr. O'Donnell reviewed key audit areas and the audit process conducted at MP&W. At 4:45 p.m., Trustee Bradford asked for MP&W Management to leave the room so that the Committee could meet privately with Mr. O'Donnell and Mr. Hissom.

Mr. LoBianco, Mr. Gowey, and Ms. Christensen were called back into the room at 4:50 p.m. Mr. Hissom expressed BT's thanks to the MP&W Accounting Staff and Management who had participated in the audit. Mr. O'Donnell and Mr. Hissom left the meeting at 4:55 p.m.

The next item on the agenda was to discuss significant financial risks and exposures facing the Utility and assess management steps to minimize them. Several items were reviewed by Mr. LoBianco and Mr. Gowey, including an update on environmental and regulatory issues affecting the Utility and a pending worker's compensation claim. In the next section: Other Action Items Concerning Governmental or Regulatory Audits, Mr. LoBianco

updated the Committee on recent activities in the Reliability Standards Department and a routine NPDES inspection at the Generation sight done by the IDNR in February. No issues were noted during the visit or the follow-up written report.

The final agenda item for this meeting was Other Business. This section included a discussion about the Fiber to the Home Project, the Business System Acquisition Project, and options for the long term financing needs for the Water and Communications Utilities. The last item in this section was to review the updated Audit/Finance Committee Charter and Checklist, the Committee asked to have this agenda item added to the next committee meeting agenda for review.

A final discussion topic, not on the agenda, was held regarding the 2015 West Hill Water Main Replacement Project that MP&W is doing in conjunction with the City's Sewer Separation Project. Mr. LoBianco discussed bid results, which were significantly over budget, and options being considered, including awarding the contract.

The meeting was adjourned at 5:25 p.m.

BOARD OF WATER, ELECTRIC, AND  
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A handwritten signature in blue ink, appearing to read "Steven Bradford".

Steven Bradford  
Audit/Finance Committee Chairperson

**MINUTES OF THE  
BOARD OF WATER, ELECTRIC, & COMMUNICATIONS TRUSTEES  
AUDIT/FINANCE COMMITTEE SPECIAL MEETING  
MARCH 24, 2015 – 2:15 P.M.**

The Board of Trustees Audit/Finance Committee met at Muscatine Power and Water's Administration Building, 3205 Cedar Street, Muscatine, Iowa, on Tuesday, March 24, 2015, at 2:15 p.m. for a special meeting regarding the Electric Utility Cost-of-Service/Rate Design Study and recommended electric rate adjustment.

Members of the Committee were present as follows: Committee Chairperson Steven Bradford and Trustee Warren Heidbreder.

Present from Muscatine Power & Water were Sal LoBianco, General Manager; Jerry Gowey, Director Finance and Administrative Services; and Brenda Christensen, Executive Assistant. Russ Hissom of Baker Tilly Virchow Krause, LLP (BT) was also present.

Trustee Bradford called the meeting to order.

Mr. LoBianco introduced that earlier this year, BT was engaged to do a Cost-of-Service/Rate Design Study for MP&W. The Committee members were previously provided draft copies of the Study and the accompanying presentation that were provided by BT.

Mr. LoBianco gave a brief history on past Electric Utility rate adjustments; he reminded the Committee that the Electric Utility had no rate adjustments from 2003-2009 and that in 2010, in response to economic conditions, an across the board rate increase of 4% was implemented. Electric Utility Cost of Service Studies were done in 2011 and 2013, and increases were implemented to all customer classes in the years 2011-2014 based on these studies. The study completed in 2015 shows that since the last study in 2013, all costs have changed by different magnitudes.

Mr. Hissom reviewed the process for developing customer rates and the components used to determine revenue requirements. He also reviewed the varying rate increases by customer class and noted that the change in cost components impacts customer classes differently depending on capacity (fixed costs) and energy costs (variable cost) incurred to serve each customer class.

In addition to the rate increase, it was recommended to the Committee that the Energy Adjustment Clause (EAC) be continued. Mr. LoBianco reminded the Committee that the EAC allows the Utility to pass through, to its customers, current variations in significant expenses and revenue which vary based upon market conditions. Those expenses and revenue include purchased power and delivered coal expenses, and wholesale energy revenue.

The Audit/Finance Committee was supportive of the proposed rate increase by customer class and Chairperson Bradford moved, seconded by Trustee Heidbreder, that the Cost of Service Study and Rate Design Project recommendations be taken to the full Board at the March Board of Trustees Meeting. Motion carried.

The meeting was adjourned at 3:40 p.m.

BOARD OF WATER, ELECTRIC, AND COMMUNICATIONS  
TRUSTEES OF THE CITY OF MUSCATINE, IOWA



Steven Bradford  
Audit/Finance Committee Chairperson