

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
DECEMBER 17, 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, December 17, 2015, at 5:30 p.m.

Acting Chairperson Susan Eversmeyer called the meeting to order. Members of the Board were present as follows: Trustees Tracy McGinnis, Doyle Tubandt, Warren Heidbreder, and Susan Eversmeyer. Trustee Steven Bradford was absent due to previously scheduled travel plans.

Also present were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Board Secretary; Charles Potter, Muscatine Journal; Erika Cox, Brandy Olson, Tim Reed, Gage Huston, and Brenda Christensen of Muscatine Power and Water.

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

The minutes of the November 24, 2015, public hearing and regular meeting were presented as previously submitted to all Board members in written form. Trustee McGinnis moved, seconded by Trustee Tubandt, that the minutes be approved and placed on file as submitted. All Trustees present voted aye. Motion carried.

The list of expenditures and transactions for November 2015 was presented as previously submitted in written form to all Board members. After review, Trustee Tubandt moved, seconded by Trustee Heidbreder, to ratify payments of \$11,173,668.82 for the Electric Utility, \$381,851.89 for the Water Utility, and \$973,009.63 for the Communications Utility for a total amount of \$12,528,530.34. All Trustees present voted aye. Motion carried.

The next item on the agenda was to ratify the Fifth Amendment to MP&W's *Energy Management and Settlement Services Agreement* with Tenaska Power Services. Mr. LoBianco explained that the original term of the Settlement Services Agreement signed in May 2008 was for 12 months and the parties have been operating under an evergreen arrangement since that time. Recently, Tenaska staff proposed an extension of the term and to take advantage of the attractive terms of the negotiated Amendment, the General Manager executed the amended Agreement; the amount of the commitment (\$540,000) requires ratification by the Board. Trustee Heidbreder moved, seconded by Trustee McGinnis, to ratify the Fifth Amendment to MP&W's *Energy Management and Settlement Services Agreement* with Tenaska Power Services. All Trustees present voted aye. Motion carried.

The next agenda item was a recommendation to approve a rate methodology for Power Purchase from Excess Net Metered Small Parallel Generation. Mr. LoBianco explained that a MP&W customer has completed the application process and MP&W has approved (per

MP&W's Cogeneration Interconnection Requirements) the installation of a small parallel generation (photovoltaic solar) at the customer's residence. Staff is recommending that the Board set a rate for purchase of the net annual excess energy (if any) generated by the facility at the Utility's "avoided cost" of energy. Mr. LoBianco continued that the avoided cost of energy will be set annually by using a three year rolling average of MP&W's purchased power cost. The net metering of small parallel generation allows for the Connecting Party to install generation behind MP&W's electric revenue meter where the electric energy generated is provided directly to the Connecting Party's usage. If the energy generated is less than the Connecting Party's monthly usage, the amount of Utility provided energy is directly reduced by that same amount. In the case where monthly energy generated is more than the Connecting Party's usage, that energy flows into MP&W's distribution system and the energy in kWh's will register as a credit. Any kWh credits will be banked and carried forward to the next month and subtracted from that month's net energy use; there will be an annual true up with the February billing cycle where MP&W will make payment at its "avoided cost" for any remaining kWh credits and the bank will be reset to zero. After some additional discussion, the following resolution was submitted;

RESOLUTION 15-24

WHEREAS, the Board of Water, Electric, and Communications Trustees of the City of Muscatine has previously approved a Cogeneration Interconnection Requirements document; and

WHEREAS, the Cogeneration Interconnection Requirements document includes an Interconnection Agreement for Net Metering for Small Parallel Generation, to facilitate the installation of electric generation systems by Connecting Parties within the Utility's service area; and,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, that the set rate for the power purchase of excess net metered energy by the interconnected facility will be at the Utility's "avoided cost" of energy; and,

BE IT FURTHER RESOLVED, that the avoided cost of energy will be set annually by using a three year rolling average of MP&W's purchased power cost, consistent with the following example:

	2012	2013	2014	3 year average
Purchased Power Cost \$	19,100,202	25,404,598	29,888,237	24,797,679
Energy Purchased kWh	866,487,145	874,184,914	874,394,911	871,688,990
Cost \$/kWh	0.0220	0.0291	0.0342	0.0284

Trustee Heidbreder moved, seconded by Trustee Tubandt, that said resolution be passed, approved, and adopted this 17th day of December 2015. On roll call, Trustees Heidbreder, McGinnis, Tubandt, and Eversmeyer voted aye. Voting nay, none. Trustee Bradford was absent. Resolution carried

Mr. LoBianco next recommended to the Board that the December 2016 Board Meeting date be changed since the December Board meeting will fall during the holiday week. It is recommended that the Board take action to reschedule the December Board meeting from Tuesday, December 27, 2016, to Tuesday, December 20, 2016. Trustee Tubandt moved, seconded by Trustee McGinnis, that the December Board Meeting dates be changed as indicated. All Trustees present voted aye. Motion carried.

Mr. LoBianco reminded the Board that the MAGIC Board is comprised of two representatives each from the Board of Water, Electric, & Communications Trustees, the Muscatine City Council, and the Muscatine County Board of Supervisors. Trustee Bradford will complete his second year on the MAGIC Board December 31, 2016. The other current MP&W member is Trustee Eversmeyer, who was appointed in December of 2015 and will serve through 2016. It was recommended that Trustee Tubandt be appointed to the MAGIC Board effective January 1, 2016, for a two-year term to represent Muscatine Power & Water, with his term ending December 31, 2017. Trustee Bradford was thanked by Mr. LoBianco and the Board for his term of service on the MAGIC Board. Trustee Tubandt moved, seconded by Trustee Heidbreder, to appoint Trustee Tubandt to the MAGIC Board effective January 1, 2016, for a two-year term. All Trustees present voted aye. Motion carried.

In the General Manager's Report, Mr. LoBianco stated that GPC had exercised their right to terminate the Steam Sales Contract between Muscatine Power and Water and GPC, with 12 months' notice, on Tuesday, December 15, 2015. Escalating MP&W environmental costs coupled with historic low natural gas prices have aligned to make steam supplied by MP&W uneconomical.

The November Financial Operating Statements and Balance Sheets were presented as previously submitted to all Board members in written form. Mr. Gowey reviewed the November financials for each Utility; during the Communications Utility review, Mr. LoBianco reminded to the Board that MP&W is a member of the National Cable Television Cooperative (NCTC), which is representing MP&W and other Cable Television Providers in negotiations with AMC. He continued that it was possible that an agreement would not be reached by December 31, 2015 between the NCTC and AMC, causing AMC channels to be dropped from the MP&W lineup for a short period of time until negotiations were completed. He stated that AMC has presented unreasonable demands to NCTC, such as a 300 percent plus rate increase and a change in must carry stations and channel placements, among other things. Mr. LoBianco stated that the Utility was preparing an action plan in case the channels were dropped that included providing other similar content on these channels if needed. Ms. Cox also communicated that MP&W is currently in negotiations with Fox Network Sports and the Big Ten Network. After review and discussion, Trustee Tubandt moved, seconded by Trustee Heidbreder, to receive and place on file the November Financial Operating Statements and Balance Sheets for the Water, Electric, and Communications Utilities. All Trustees present voted aye. Motion carried.

The Competitive Quotes for Public Improvements Report was presented as previously submitted to all Board members in written form. There were no items for approval.

The November departmental reports were presented as previously submitted to all Board members in written form. Trustee McGinnis moved, seconded by Trustee Heidbreder, to receive and place on file the November Departmental Reports. All Trustees present voted aye. Motion carried.

Acting Chairperson Eversmeyer asked if there were any other items of business. With no other items of business, the meeting was adjourned at 5:50 p.m.

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



Jerry Gowey
Board Secretary

**MINUTES OF THE
BOARD OF WATER, ELECTRIC, & COMMUNICATIONS TRUSTEES
AUDIT/FINANCE COMMITTEE MEETING
DECEMBER 17, 2015 – 4:30 P.M.**

The Board of Trustees Audit/Finance Committee met at Muscatine Power and Water's Administration/Operations Building, 3205 Cedar Street, Muscatine, Iowa, on Thursday, December 17, 2015, at 4:30 p.m.

Members of the Committee were present as follows: Committee Chairperson Warren Heidbreder and Trustee Susan Eversmeyer.

Present from Muscatine Power & Water were Sal LoBianco, General Manager of Muscatine Power and Water; Jerry Gowey, Director of Finance & Administrative Services; and Brenda Christensen, Executive Assistant. Jim Fleischel with Risk Solutions, LLC was also present.

Trustee Heidbreder called the meeting to order.

Mr. Gowey informed the Committee that Jim Fleischel of Risk Solutions LLC, MP&W insurance advisor, was joining the meeting to review the Utilities' property and casualty insurance program. Mr. Gowey gave a high level overview of the property and casualty insurance program and then asked Mr. Fleischel to review the program more in-depth. Mr. Fleischel reviewed the Aegis Excess Liability Program Structure and premiums; worker's compensation claim experience and premiums; FM Global Property Program; and Fiduciary Liability. Next he reviewed how the 2015 risk dollars were spent. Mr. Fleischel reminded the group that he had communicated his retirement and he has provided a recommended transition plan. Trustee Heidbreder thanked Mr. Fleischel for his service and the explanation of the programs. After answering a few questions, Mr. Fleischel left the meeting.

Mr. Gowey told the Committee that the next agenda item was to review new accounting, financial reporting and auditing standards. There were several new GASB Statements, No's. 76 and 77, and SAS No's. 128-130; Mr. Gowey provided a brief review of each statement and communicated to the Committee that, at this time, these statements would not cause any changes to MP&W's financial reporting.

Next on the agenda was to discuss issues affecting the Audit/Finance Committee's responsibilities. The only discussion item was to evaluate the interest rate charged in the Water Utility's borrowing agreement with the Electric Utility; the agreement provides the option to adjust the rate annually on January 1 to reflect the Electric Utility's investment opportunity cost. The rate is currently 0.18%, set on February 1, 2014, and left the same at the February 1, 2014, A/F Committee Meeting based on the Electric Utility's investment opportunity cost at that time. The amount advanced from the Electric Utility to the Water Utility as of November 5, 2015 totals \$2,900,000. Currently the Electric Utility is earning an average rate of return of 0.15% on all cash, money market and investment funds; based on

that, staff recommends the rate on the borrowing arrangement between the Water Utility and the Electric Utility be adjusted to 0.15%. After some additional discussion, the Committee concurred with the recommendation to have the Board approve the adjustment.

Next on the agenda was a review of Identity Theft Program activities. Mr. Gowey stated the program in place is working and continues to be reviewed and annual staff training is conducted. He reviewed the red flags that were detected by staff in 2015 and the resolutions.

The next agenda item was to review legal and tax issues along with any other regulatory matters that could have a material impact on the Utility's financial statements as identified by the Director, Legal & Regulatory Services. This section included an update on environmental regulations that had been reviewed at past meetings and anticipated new rules; Mr. LoBianco stated that the most significant change since the last update was that EPA initiated additional rulemaking to further reduce the NOx allowances associated with the Cross State Air Pollution Rule (CSAPR), well beyond what was originally planned for Phase 2 of the rule, starting in 2017. This change would reduce the hours of operation for both Unit 8 and Unit 9. Mr. LoBianco also communicated to the Committee that Staff working with OSHA regarding the inspection following the August 26, 2015, accident involving the Horizontal Directional Boring Crew had successfully gotten the violation reduced from "serious" to "other than serious". He also gave a high level overview of a recent workers compensation claim settlement and an update of a discrimination claim from a former employee.

In the Other Business section, Mr. Gowey reviewed the impact of GASB 68 implementation on MP&W financial statements, along with high level project updates on both the Business System Acquisition (BSA) Project and Fiber to the Home (FTTH) Project. The next item on the agenda was review of the continued engagement of Baker Tilly Virchow Krause (BT) beyond the 2015 audit; BT has been the Utility auditors since 2003 and is in the final year of a three year agreement. The Committee is satisfied with the work BT is doing, but would like to see RFP's sent out this year to assure that the Utility is receiving a competitive price. The final item in this section was a discussion on the GPC Steam Sales Contract Update.

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

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Warren Heidbreder
Audit/Finance Committee Chairperson