

PRESS RELEASE

June 30, 2020

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

Contact: Erika Cox, ecox@mpw.org

MPW Completes Power Supply Study; Renewables to Increase

The Board of Water, Electric and Communications Trustees welcomed Mark Roberts, the new director of finance and administrative services. Roberts comes to MPW with extensive utility, procurement and financial leadership experience. In addition to his previous utility leadership roles, Roberts has been a utility consultant providing direction in supply analysis, cost of service, rate design and fuel supply.

“We are pleased to have Mark onboard,” said General Manager, Gage Huston. “His considerable experience in business and corporate development and logistics will be a great asset to the Utility.”

Roberts holds a bachelor’s degree from Iowa State University and an MBA from Drake University.

The Trustees were presented with the recommendation to refinance the Communications Utility revenue bonds. As previously shared, the Fiber to the Home project is taking longer and costing more than originally planned. Coupled with the additional planned capital expenditures to further improve service experience and delivery, there is a need to obtain additional financing.

“While the Fiber to the Home project has experienced some obstacles, we’ve overcoming them and the Communications Utility as a whole is financially sound,” shared Erika Cox, director of customer and technology experience. “The investment in fiber is showing a return on investment already with an increase in subscribers and interest in expanding the reach of our fiber services.”

Since January, communications subscribers have increased by more than 200. COVID-19 really impacted the need for Internet services, and MPW’s system handled the additional load extremely well. “When FTTH is fully completed, our customers will have access to nearly limitless bandwidth being delivered over the most up-to-date infrastructure,” said Cox. “Not only will our residential subscribers benefit, but it will make Muscatine more attractive to potential business and industry looking to locate here. We’re fielding calls every month from residents and businesses close to our existing service area wanting to connect to our fiber system. The planned capital expenditures provide for some system expansion once the FTTH project is complete.”

Switching to MPW’s power production, a summary of findings from the Utility’s Power Supply Study were presented to the Trustees at Tuesday night’s meeting as well. Leidos Engineering, retained by MPW’s legal counsel, conducted a study of future power supply scenarios.

Utilities across the nation conduct power supply studies for both long- and short-term planning to ensure reliable service to customers in the most cost-effective way. The studies take into consideration forecasted energy demand using both supply and demand side resources, infrastructure, as well as cost and performance assumptions for the next 20 years.

“The benefit of completing a power supply study is it gives us a roadmap to best serve our customers”, explained MPW’s General Manager Gage Huston. “Although we don’t have a crystal ball, performing these studies gives us direction using market trends, data, and recommendations from industry experts to make sound decisions so we can continue to provide cost-effective, reliable energy for decades to come.”

Doug White, MPW’s Director of Power Production & Supply, reviewed a high-level summary of the study with the Board of Trustees. White explained that 20 different portfolio scenarios were evaluated, over multiple market cases, resulting in nearly 4,000 iterations of potential outcomes. White then described the list of recommendations based on the study results. Some of the recommendations have shorter-term impacts, but many involved further investigation of alternatives.

The study highlighted opportunities to add additional renewable energy sources to MPW’s energy portfolio. “In keeping with our core value of environmental stewardship and protecting land, water and air to the best of our ability, the addition of solar into MPW’s energy portfolio makes sense,” shared Huston. “Decreasing our carbon footprint will have a positive, lasting impact on the environment.”

Huston shared with the Trustees that leaders from local businesses have approached MPW with interest in adding solar to their energy consumption mix. “In addition to business interest, more residential customers are participating in our ‘Choose Green’ renewable energy program. The time appears right to incorporate solar into our energy portfolio.”

Huston advised that staff will begin further evaluation to add a minimum of 30 megawatts of solar energy locally. Currently, about 6% of MPW’s native system load comes from wind. An estimated 7% would come from a future 30-megawatt solar installation, increasing MPW’s renewable energy production to over 13.5% of its total native energy needs.

The solar installation could be constructed in the Grandview Well Field area near the intersection of Highway 61 and Dick Drake Way. The location is already owned by MPW and is also near an existing substation, factors reducing the total cost to add solar.

Other recommendations from the study included a phased transition from coal-fired generation to cleaner burning, low-cost natural gas to go along with the increased renewables. This scenario includes the retirement of Units 7 and 8 by the end of 2022, which will reduce MPW’s carbon emissions by around 30%. Staff will also begin deeper investigations into replacing Unit 9 with a more efficient, combined cycle natural gas unit. This scenario requires further investigation, but could take place by 2028 if it ultimately works out to be the most viable option. The scenario would still allow for local generation to support Muscatine’s residential, large industrial, and commercial businesses energy needs.

The scenario that provided the best overall results in the study included a new, local natural gas-fired resource that could be part of a Combined Heat and Power (CHP) arrangement. This type of a facility would maximize the efficient use of energy at the site and allow for a continued partnership with one of MPW’s largest customers. White explained, “Combined Heat and

Power projects are encouraged by the EPA, the Department of Energy, and the Iowa Economic Development Authority due to their efficient use of energy. A project like ours would be somewhat unique and it would continue to set Muscatine as a great example for making the most of the resources we have.”

“One of the unique attributes of Muscatine is its large industrial presence. For these industries to maintain production, they must be able to rely on us to provide reliable, consistent power,” said Huston. “Everyone at MPW takes this responsibility seriously because we know the positive economic impact these industries and their employees have on our community.”

While the recommendations from the study point toward environmental benefits, they bring about some unfortunate negative consequences to MPW staff and the local economy. When fully implemented, the retirement of Units 7 and 8 will negatively impact MPW’s workforce. Approximately 25-30 positions will need to be reduced through a combination of retirements, job transfers, and phased layoffs.

“This decision is gut-wrenching”, said Huston. “We appreciate the years of dedication of all of our Generation staff. Their institutional knowledge of our generating units, pride in maintaining these units, and their service cannot be overstated. Our record of high reliability is, in large part, due to them. This is the toughest decision we’ve had to make in our careers because we care about these people. They’re not just co-workers; they’re part of the MPW family and that’s why this is so difficult.”

Despite the significant changes in MPW’s future, Huston emphasized “The most important message is MPW is here to stay. While the make-up of our power supply is changing, we will continue to honor the commitment made to the citizens of Muscatine nearly 100 years ago to provide reliable, low-cost electricity to our great community.”

In other Board action, the Trustees:

- Recommended to set a public hearing to receive comments on the issuance of Communication Utility Revenue Bonds. The public hearing will be held Tuesday, July 28, 2020 at 5:28 p.m.
- Recommended to place on file the certificate of appointment for Susan Eversmeyer to the Board of Water, Electric and Communications Trustees of the City of Muscatine, Iowa. This will be Eversmeyer’s second six-year appointment to the Board of Trustees.
- Elected Board Officers for 2020/2021: Susan Eversmeyer, Chairperson; Kevin Fields, Vice Chairperson; and Brenda Christensen, Board Secretary.

XXX

Muscatine Power and Water (MP&W) is a customer-driven, not-for-profit municipal utility, established by the community for the purpose of serving the community responsively, competitively, and responsibly. MP&W provides reliable electricity, high quality water, and state-of-the-art communications services, including internet, video 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.