

**OFFICIAL PROCEEDINGS OF THE
BOARD OF WATER, ELECTRIC,
AND COMMUNICATIONS TRUSTEES
OF THE CITY OF MUSCATINE, IOWA
May 31, 2022 – 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, May 31, 2022 at 5:30 p.m.

Acting Chairperson Kevin Fields called the meeting to order. Members of the Board were present as follows: Trustees Susan Eversmeyer and Keith Porter. Trustees Tracy McGinnis and Steven Bradford were absent due to previously scheduled travel plans.

Also present were Gage Huston, General Manager of Muscatine Power and Water; Brenda Christensen, Board Secretary; Erika Cox, Mark Roberts, Doug White, Nick Burns, Danielle Evans, Christel Schreiber and Carrie Trevino of Muscatine Power and Water. Additional attendees were Rich Dwyer, Charles Potter and Jessica Brackett.

There were no public comments.

Trustee Eversmeyer moved, seconded by Trustee Porter to approve the April 26, 2022 Audit & Finance Committee meeting and regular Board meeting minutes. All Trustees present voted aye. Motion carried.

Trustee Eversmeyer moved, seconded by Trustee Porter, to ratify payment of \$10,023,666.54 for the Electric Utility, \$428,579.83 for the Water Utility, and \$988,476.24 for the Communications Utility for a cumulative total of \$11,440,722.61. All Trustees present voted aye. Motion carried.

Mr. Huston introduced the recommendation to approve a revised Project Summary Form (PSF) for the West Hill Sewer Separation Project (WHSSP) Water Main Replacement Project – Phase 5A. The overall scope of this project is to upgrade the Water Utility's facilities as needed in conjunction with the City's WHSSP. Initially, the project was approved in the 2021 budget at a total cost of \$232,000. A first PSF revision was approved to increase the project cost to \$290,100 in July 2021 to cover cost increases due to an initial contract variance of \$30,000, additional fire hydrant valves for \$18,100, and inspection labor of \$10,000. This current PSF revision includes increased costs for unanticipated costs and changes in timeframe along with increased material costs, unplanned road patching, and unplanned service line replacements. Trustee Eversmeyer moved, seconded by Trustee Porter, a motion to approve the revised Project Summary Form for the West Hill Sewer Separation Project Water Main Replacement - Phase 5A with a total cost of \$354,900. All Trustees present voted aye. Motion carried.

The next agenda item was to approve the advance purchase of construction materials for NOFA #6 and NOFA #7 Buildout Projects. Mr. Huston explained MPW's normal process is to prepare Project Summary Forms for construction projects and approve these projects as part of the budget process. The costs for the NOFA #6 Broadband Expansion Project were included in 2022 and 2023-2025 Projection Years. NOFA #7 funding was approved after the budget was already approved and will be added to the 2023 Budget and 2024-2026 Projection Years. He continued

MPW recently awarded the engineering and design bid for NOFA #6 and NOFA #7. A construction PSF, which includes material and customer premise equipment costs, will be developed after the engineering and design is completed in August/September 2022. However, with current supply chain issues, some materials have 6-12 month lead times. Therefore, Management is requesting approval to place orders now for certain materials, including fiber, conduit, optical equipment, and customer premise equipment. Staff estimated material costs of \$420,261 for NOFA #6 and \$313,478 for NOFA #7. Construction costs for the projects make up the largest amount of the NOFA project costs. Staff will continue to evaluate total project costs as the design phase continues. At this time, Staff hopes to be able to keep overall project costs near the estimates provided at the time of the NOFA applications. The impacts of delaying the purchase of these materials would likely serve to increase costs even higher and risk the project missing the grant-mandated completion dates. Trustee Eversmeyer moved, seconded by Trustee Porter, to approve the advance purchase of long lead-time construction materials for NOFA #6 and NOFA #7, up to a total amount of \$1,027,234. All Trustees present voted aye. Motion carried.

Mr. Huston introduced the next agenda item, reminding the Board with the completion of the Fiber to the Home project, Muscatine became a “Gigabit Community” with 1Gbps service available to every address. Subsequent network capacity upgrades have allowed the growing migration of customers to higher speeds (100Mbps, 250Mbps, and 1Gbps) as more connected devices populate the homes MPW serves. Staff continues to see customers, generally with lower capacity service, bump against their maximum bandwidth. Customers do not typically upgrade to the next level, which provides a less than excellent customer experience and an incorrect perception the issue is with MPW’s internet service. To meet the continued demand for high-speed, reliable connections working and schooling from home require, Staff recommended MPW’s internet offerings be restructured to better align with consumer trends and adjust rates on service levels to make higher bandwidth service more affordable (Phase 1). Mr. Huston reviewed a three-phase plan developed by Staff, with a request Phase 1 be implemented July 1, 2022. Phase 2 and Phase 3 would be implemented in approximately May 2023 and May 2024, respectively, based on customer internet use and market conditions. Next, Mr. Huston reviewed the suggested internet package changes and price adjustments. Trustee Eversmeyer asked about prices compared to competitor prices, and Ms. Cox explained Phase 2 and Phase 3 of the plan will do more to bring MPW in line with some of the more aggressive competitor prices. She also reminded the Board it has been ten years since MPW had an internet price adjustment, even with implementation of 1Gbps service being available to everyone. After some additional discussion, the following resolution was submitted:

RESOLUTION 22-08

WHEREAS, review of the Communications Utility Internet structure has been completed and reviewed with the Board of Water, Electric, and Communications Trustees for its consideration; and,

WHEREAS, review of the financial condition of the Communications Utility has been completed and reviewed; and,

WHEREAS, the Board has reviewed this information and determined that a restructure of the internet packages and internet service pricing adjustments maintain the Communications Utility in a sound financial condition; now therefore,

BE IT RESOLVED, by the Board of Water, Electric, and Communications Trustees of the City of Muscatine, Iowa, packages of 25Mbps, 40Mbps, and 80Mbps be eliminated; and

BE IT FURTHER RESOLVED, packages of 50Mbps and 500Mbps be created; and

BE IT FURTHER RESOLVED, that effective July 1, 2022 the packages and prices for MPW Internet be as follows: 15Mbps at \$30.99; 50Mbps at 50.99, 100Mbps at \$65.99; 250Mbps at 80.99, 500Mbps at \$95.99 and 1Gbps at \$110.99; and

BE IT FURTHER RESOLVED, customers that subscribe to MPW TV and internet at 100Mbps or more, receive a \$5.00 per month discount on Communications Utility services; and

BE IT FURTHER RESOLVED, that proper notice be given to customers in accordance with the terms of the contracts, Federal Communications Commission (FCC) and Iowa State Code.

Trustee Eversmeyer moved, seconded by Trustee Porter said resolution be passed, approved, and adopted on this 31st day of May 2022. On roll call Trustees Eversmeyer, Porter, and Fields, voted aye. Voting nay, none. Trustees Bradford and McGinnis were absent. Resolution carried.

At the July 2021 Board of Trustees meeting, the Board approved a new rate structure and policies for agricultural customers that irrigate crops. Mr. Huston stated the changes were needed because certain irrigation customers on the Commercial I rate should be on a Commercial II rate due to their demand being greater than 50 kW. Even though this new rate structure was approved in July 2021, the effective date was set for May 1, 2022. This delayed effective date was set to coincide with the start of the next irrigation season and allow additional time for ample notice to affected customers. He continued the early notice was not provided to the approximately eight affected customers as planned. Because MPW prefers to provide at least 30 days' notice of rate changes, and because Staff sees more than 30 days' notice being important to these customers so they can consider changes to systems and the timing of power used, Staff recommends delaying implementation by one year to May 1, 2023. Trustee Eversmeyer moved, seconded by Trustee Porter, to approve the recommended delay on Commercial II Irrigation rates to be effective May 1, 2023 and related Electric Rate Table. All Trustees present voted aye. Motion carried.

Next, Mr. Huston introduced the agenda item of a recommendation to reactivate the Energy Adjustment Clause (EAC). He stated high MISO market prices, caused in part by high natural gas prices, are driving Staff concerns about the potential financial impact on MPW if Unit 9 is unavailable or is further limited due to coal availability. He continued this concern was highlighted by the Unit 9 outage Thursday, May 19, lasting about 56 hours. With Units 8 & 8A in planned outage, MPW had no spinning generation for part of the time and only Unit 7 running for the remainder of the Unit 9 outage. Aside from the concerns about the potential need to shed load, there are significant concerns about the possible damaging economic impacts of an extended Unit 9 outage during a time of high market prices. Mr. Huston explained how the EAC

worked for both the original formula used in the past and for the recommended new formula that provides a backstop for expensive and volatile energy markets with a deadband within which no adjustment would be made. Below the band, customers would receive a credit, while costs above the band would be billed to customers. Within the deadband, the EAC would be \$0. Trustee Eversmeyer moved, seconded by Trustee Porter, to approve reactivation of the Energy Adjustment clause effective July 1, 2022, but with an upper threshold of 2.395¢/kWh. No positive or negative adjustments would be made between 1.889¢/kWh and 2.395¢/kWh. All Trustees present voted aye. Motion carried.

Mr. Huston next advised the Board they had been provided with updated/revised copy of the Service Rules for the Electric, Water, and Communications Utilities and no action was being requested at this meeting, but approval will be requested at the June 2022 Board meeting.

The next item on the agenda was the General Manager Report. Mr. Huston provided the Board with an update on the impact higher diesel prices are having on MPW, with the primary impact being rail fuel surcharges BNSF Railway and Canadian Pacific Railway are applying to MPW coal deliveries. He continued with an update on MISO's Long-Range Transmission Planning (LRTP) Initiative currently being proposed; the proposal is for \$10.4 billion of transmission projects designed in part to support about 53 GW of wind, solar, hybrid and stand-alone-battery projects. The projects, expected to be voted on in July by MISO's board, would include Michigan, Indiana, Illinois, Wisconsin, Minnesota, Missouri, Iowa, South Dakota, and North Dakota; the Board of Trustees will be provided with more information on MPW's share of this cost as those details become available from MISO. Mr. Huston next provided brief updates on the recent Business After Hours hosted by MPW and The Merrill Hotel. He also provided the Board with an update on the Line 106 Project and a possible project delay due to lead times for materials. The last item on the GM Report was a Load Shed Presentation, explaining what a controlled load shed would mean for Muscatine and how to educate MPW customers on this process.

Mr. Huston continued the recent shift in the wholesale electric market, indicating a shortage of capacity on MISO's system, is causing significant concern by MPW Staff, especially as work continues with a major transition in the power supply plans. This capacity shortfall and the resulting reliability concerns presented have caused Staff to question the timing of Plant 1 (Units 7, 8 & 8A) retirement. He continued the assumptions and conclusions used to make the Plant 1 retirement decision must be re-evaluated based on the current conditions of the market. In addition to these units providing additional support to the system from a reliability perspective, the elevated capacity and energy prices also provide the ability to cover the fixed O&M costs associated with keeping the units available and even offer an opportunity for positive margins, benefiting all MPW customer rates. Trustee Eversmeyer asked questions about how staffing needs and Plant 1 maintenance will be handled. Trustee Porter asked questions about Effluent Limit Guidelines (ELG) compliance and whether MPW would plan to change the previous submittal to the Environmental Protection Agency stating Plant 1 would stop burning coal by 2028 along with what the parameters would be to run the Units. After additional discussion, Trustee Eversmeyer moved, seconded by Trustee Porter, to approve deferring the retirement of Units 7, 8 & 8A (Plant 1) due to ongoing concerns about capacity shortfalls in the MISO market and need to ensure the reliability of MPW's electric system. All Trustees present voted aye. Motion carried.

Mr. Roberts reviewed the next agenda item to approve an auditor recommendation for 2022-2024 MPW Audits. He stated as requested by the Audit/Finance Committee, MPW Staff initiated and sent an RFP to interested firms in early April for the 2022-2024 MPW Audits. Mr. Roberts reviewed the results of the RFP along with the costs and experiences of the top firms who submitted. Staff recommends retaining Eide Bailly (EB) for a three-year term, with options to exit. The cost of this firm is lower and the references were good. He continued it is important to recognize there will be tradeoffs: less depth of experience, and Staff and the Trustees may have to sometimes accept poorer timing on deliverables (e.g., when audited financials are finalized). Mr. Roberts also noted the decision to switch from Baker Tilly was not a negative reflection on its work. After additional discussion, Trustee Eversmeyer moved, seconded by Trustee Porter, to approve a Three-Year Contract with Eide Bailly to complete the Electric, Water and Communications Audits (2022-2024). All Trustees present voted aye. Motion carried.

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

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

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

Mr. Huston provided a high-level review of the May Departmental Reports and Mr. White provided a Power the Future status report.

Trustee Eversmeyer moved, seconded by Trustee Porter to receive, and place on file the May 2022 Utility Reports. All Trustees present voted aye. Motion carried.

Rich Dwyer provided public comments.

The meeting was adjourned at 7:40 p.m.

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Brenda Christensen
Board Secretary