

## **PRESS RELEASE**

April 26, 2011  
Muscatine Power and Water  
3205 Cedar Street  
P.O. Box 899  
Muscatine, IA 52761  
Contact: Gary Wieskamp  
Phone: 563-262-3350  
FAX: 563-262-3315

## **FOR IMMEDIATE RELEASE**

### **MP&W Board of Trustees Adopts Electric Utility Cost of Service/Rate Design Study, Approves Electric Rate Increase Recommendation and Receives 2011 Customer Survey Results**

At their April Board of Water, Electric and Communications Utility Trustees meeting, the Board adopted the 2011 Electric Cost of Service/Rate Design Study and approved a 5 percent electric revenue increase effective August 1, 2011 and August 1, 2012. The March, 2011 Study depicts the need to realign electric rates to more closely meet the cost of service for each customer class. The last electric rate increase was a 4.0 percent across the board increase effective July 1, 2010.

The cost of service study shows the cost to serve MP&W customers in 2011 at \$44.8 million without recovery of funds for capital expenditures and debt service. Including those components would have significantly increased the cost of service requirement. Forecasted revenues are at \$42.7 million, a shortfall of \$2.1 million or 5.0 percent.

General Manager Sal LoBianco reminded the Board, "The Study and recommendations were presented at the March meeting with implementation approval requested at the April meeting to allow time for public input and the Board's further consideration of the electric rate adjustment recommendations."

Drivers necessitating the increases are depressed wholesale revenue, higher coal and coal transportation costs, and escalating operation and maintenance costs. LoBianco further explained that "The large decline in wholesale energy revenue and the associated margins coupled with the 130% increase in delivered coal cost are the two largest drivers. Margins from wholesale energy sales contributed significantly to the Utility's income prior to the economic recession mitigating the need for rate increases from 2002 through 2009."

"Along with our anticipated debt retirement in 2012, we have undertaken significant cost containment measures ranging from deferral of capital and major expense projects to a significant reduction in the number of employees through attrition and position elimination. In order to provide short term relief for our native system customers we utilized cash reserves with the understanding that these reserves would be replenished over time through annual rate increases and external financing when appropriate," added LoBianco.

Residential customers will see a 9.90 percent rate increase in both 2011 and 2012, however the typical customer consuming the average amount of electricity, of 843 kWh per month, will see their monthly electric bill increase \$4.26 from \$67.57 to \$71.83 or approximately 6.31%.

MP&W's approved rates indicate a 2011 average residential electric rate of 8.251 cents/kWh which compares very favorably to the 2009 average residential investor-owned electric rate of 9.80 cents/kWh in the State of Iowa and 11.70 cents/kWh in the U.S. When comparing all MP&W electric rate classes to 2009 State and U.S. electric rates for investor-owned utilities, MP&W's approved rates in 2011 will average 5.452 cents/kWh which is approximately 22% below the Iowa investor-owned average electric rate of 7.00 cents/kWh and nearly 44% below the U.S. investor-owned average electric rate of 9.80 cents/kWh.

LoBianco concluded by saying, "The electric rate increases are consistent with the Utility's financial projection and budget, and we believe the increases are necessary in order to maintain the long-term financial stability of the Utility."

#### **In Other Action:**

Dr. Andrew Morrison, President and CEO of Market Strategies, Inc. (MSI) Livonia, Michigan presented the findings of the 2011 Residential Customer Satisfaction Survey. The last survey was completed in June, 2008. The survey was conducted to determine electric, water, and communication services customer satisfaction and overall favorability. The survey interview was conducted with 400 customers between March 1 and March 16, and was an average duration of 16 minutes.

Dr. Morrison indicated that "One of the questions asked in the 2008 and 2011 survey was how concerned are you about paying basic household bills?" The survey results for 2008 show that 18% of customers surveyed were very concerned with paying their bills as compared to the 2011 results of 28% of customers surveyed. "The economic crisis that hit in 2009 has led customers to become more cost conscious and therefore more likely to closely scrutinize monthly bills such as utility bills. The impact of the economic downturn and recent rate increases is illustrated by the declines in several 2011 positive response measures," added Morrison.

Overall Favorability which gauges the overall image and reputation of MP&W as a utility had a significant decline of 9 points from a 2008 rating of 87% to 78% for 2011. Satisfaction among electric customers declined from 92% in 2008 to 84% in 2011. Satisfaction among water customers declined 7 points from 92% in 2008 to 85% in 2011. Among those who subscribe to MPW Digital TV, 82% are satisfied, down slightly from the 85% recorded in 2008. Overall satisfaction among MachLink subscribers declined from 88% in 2008 to 83% in the March 2011 survey.

When comparing MP&W positive ratings to other utility companies in the MSI database MP&W ranked first out of 69 electric utilities with programs at helping customers use energy more efficiently and first out of 80 utilities at being easy to do business with. When comparing positive performance ratings to all of those in the MSI database, MP&W was in the 1<sup>st</sup> decile on 8 out the 12 comparable measures.

Morrison concluded, "Rate increases and a depressed economy appear to be contributing to the 2011 declines in positive ratings for several measures. Yet MP&W's perfor-

mance remains strong compared to the electric utility industry. Continued communications with MP&W customers through traditional and new media channels regarding the reasoning behind the rate increases and actions taken by MP&W to manage costs along with information about energy efficiency programs that can help mitigate the negative effect of rate increases may help move perceptions in a more positive direction," added Morrison.

###