

## **PRESS RELEASE**

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## **FOR IMMEDIATE RELEASE**

### **MP&W Board of Trustees Receives 2011 Operating Budgets**

At their October Board of Water, Electric, and Communications Trustees meeting MP&W staff presented the Board with the 2011 Electric, Water, and Communications Operating Budgets for their review. Approval will not be requested until the November Board meeting. Major Drivers impacting this year's budgets include; native system growth, wholesale energy revenues, capital expenditures, programming costs, investment rates, CATV subscriber growth, and coal and purchased power costs.

Don Kerker, Director, Finance and Administrative Services, told the Board, "In addition to the detailed budget packet, schedules showing the primary drivers are laid out to take a look at the major cash inflows and outflows for each of the Utilities."

Electric native system revenue of \$43.7 million makes up 49% of total revenue while wholesale revenue and steam sales revenue comprises 48% or \$42.9 million. Investment income and other revenues result in an additional \$2.6 million for total electric revenue of \$89.2 million. Cash outflows include \$27.3 million for purchased power, \$22.9 million for coal and transportation, \$21.9 million for labor and benefits, \$14.0 million for debt service, \$3.3 million for capital expenditures and \$18.0 million for operations, maintenance and other expenses for a total outflow of \$107.4 million. The electric utility is projected to have beginning cash of \$23.4 million and a negative net cash flow of \$18.1 million resulting in an ending cash balance of \$5.2 million. The negative cash flow is primarily driven by the major maintenance outage of Unit #9 that includes a generator overhaul and rotor rewind at a

cost of approximately \$4.0 million, capital expenditures of \$3.3 million and the last principal and interest payment on current outstanding debt of \$14.0 million.

The Water Utility Budget indicates financial performance similar to what was indicated in the Ten-Year Financial Projections. Contract and Other Native System Sales of \$4.4 million, based upon contract customer input, reflects a slight increase for 2011 of 1.0% in gallons consumed. Including miscellaneous other revenues total water revenue of \$4.5 million is expected. Chemical and pumping electric costs of \$1.0 million are up from 2010 by approximately 4.0% and operations and maintenance cash outflows of \$847 thousand are up approximately 19% due to a water system reliability study in an amount of \$120 thousand. Capital expenditures of \$764 thousand along with labor and fringe benefits costs of \$2.0 million are planned, bringing total expenditures to \$4.6 million. For the year a negative net cash flow of \$172 thousand is expected.

Communications Utility revenue is forecasted to be \$8.4 million from CATV revenues and ad sales and \$3.7 million from data/internet revenues, along with miscellaneous other revenues, for a total communications utility revenue of \$12.8 million. According to Kerker, "CATV revenues and data/Internet revenue combined comprise 95 percent of total revenue for the Communications Utility. Programming and data/internet access costs are projected at \$4.2 million and consume 30% of the total cash outflow for the Utility. Labor and fringe benefits of \$3.3 million account for 23% of cash outflow while capital expenditures are projected to be \$2.7 million or 19 percent of total cash outflows. Debt principal and interest payments make up \$2.0 million with other operating and maintenance costs totaling \$2.1 million. The Communications Utility is projecting a net cash outflow for 2011 of \$1.5 million." The negative cash flow is due to the final capital costs connected with the "digital transition project".

"Capital expenditures for the three Utilities are projected to total approximately \$6.7 million. The utility major capital expenditures in 2011 include electric generation and transmission and distribution projects, Communications Utility digital conversion of the CATV system, and water well addition," added Kerker.

General Manager, Sal LoBianco, noted "The budget assumptions were designed to support the medium term achievement of financial targets, meet the needs of our customer/owners at the lowest possible cost and support the Critical Issues identified in the Strategic Plan. The budgets reflect ongoing efforts to keep expenses and capital expenditures at conservative levels in response to the ongoing economic conditions."

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