

## PRESS RELEASE

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## FOR IMMEDIATE RELEASE

### MP&W Board of Trustees Receives 2010 Operating Budgets

At their October Board of Water, Electric, and Communications Trustees meeting MP&W staff presented the Board with the 2010 Electric, Water, and Communications Operating Budgets for their review. Approval will not be requested until the November 24 Board meeting. Major Drivers impacting this year's budgets include; native system growth, wholesale energy sales, programming costs, investment rates, CATV subscriber growth, and coal and purchased power costs.

Don Kerker, Director, Finance and Administrative Services, told the Board the primary drivers are laid out to take a look at the cash inflows and outflows for each of the Utilities. He then outlined for the Board the major budget changes from the Ten-Year Projections. "Because of the adverse economic conditions, the Electric Utility continues to face some significant challenges while striving for adequate net income, cash flow and reserves necessary to properly operate the business. Given the fact that Unit 9's generation has been considerably lower than projected in the Ten-Year Projections, the 2010 maintenance outage including a generator overhaul and rewind at a cost of \$4.4 million is being deferred until 2011. This deferral will result in a conservation of cash and eliminates the lost revenue associated with an eight week outage along with increasing energy sales revenue as more energy will be available to sell into the MISO energy market." he added.

Other changes from the electric Ten-Year Projections include capital expenditures being reduced approximately \$900 thousand to \$3.2 million, and wholesale energy sales and purchases reduced from \$29 to \$25 MW. An electric rate increase previously forecasted for January 2011 is now shown as a 4% increase effective July 1, 2010. The projected loss for 2009 increased from \$7.1 million to \$10.4 million. "Our net deficit for 2010 is now shown at \$8.1 million, an improvement of nearly \$5.0 million and our ending cash and investments at \$18.2 million, approximately \$3.4 million higher than indicated in the Ten-Year Projections," said Kerker. Kerker also reminded the Board that a debt service principal payment of \$12.6 million would be made in January 2011 and the Utility expects to be debt free as of January 1, 2012.

The Water Utility Budget indicates financial performance similar to what was indicated in the Ten-Year Projections. Contract and Native System Sales of \$4.2 million, based upon contract customer input, reflects a slight increase for 2010 of 2.1% in gallons consumed, but still significantly lower than 2008 levels. Chemical costs are down from a spike that occurred during 2009 and maintenance expenses are lower due to an expected reduction in well and main repairs. "A continued program of deferring expenses where possible along with a modest 3% rate increase, effective April 1, 2010 will provide us cash required for additional production capacity and infrastructure growth and replacement projects identified in the budget," said Kerker. Net Income is expected to be approximately \$139,000.

Communications Utility revenue is forecasted to be \$7.9 million from CATV revenues and ad sales and \$3.5 million from data/internet revenues. According to Kerker, "CATV revenues reflect subscriber growth from mid 2009 to mid 2010 of 4%, and data/Internet subscriber growth of 7%. Together they comprise 94 percent of total revenue for the Communications Utility. Programming and data/internet access costs are projected at \$3.9 million and consume 33% of the total cash outflow for the Utility. Labor and fringe account for 26% while capital expenditures are projected to be \$2.0 million or 17 percent of total cash outflows. A 5.5 percent CATV price increase and a \$5.00 a month increase for Internet subscribers not subscribing to MPW Digital TV are projected for January 1, 2010." The Communications Utility is projecting a net deficit for 2010 of \$932,000.

Capital expenditures for the three Utilities are projected to total approximately \$5.9 million. The utility capital expenditures in 2010 include electric generation and transmission and distribution projects, Communications Utility digital conversion of the CATV system, and water well motor control replacement projects.

General Manager, Sal LoBianco, noted "All three of the budgets incorporate the continued deferral of expense projects, deferral of hiring to fill certain open positions as well as reduced capital spending, and are attempts to meet the needs of our customer/owners at the lowest cost possible while supporting the Critical Issues identified in the Strategic Plan."