

PRESS RELEASE

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FOR IMMEDIATE RELEASE

MP&W Trustees Review 2018 Budget

At the October meeting of the Muscatine Board of Electric, Water and Communications Trustees, the Board received the Utility's 2018 Operating Budgets and Ten-Year Financial Projections (2018-2027). Approval of the Operating Budgets will be requested at the November 28, 2017 Board meeting.

Based on recent Cost of Service studies, along with scheduled maintenance programs and commitments to upcoming infrastructure and community projects, the 2018 budget includes some revenue adjustments. General Manager Sal LoBianco stated, "With financial stability as a Utility Core Value, the Utility budget assumptions continue to be 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."

In presenting the budget and projections, Utility staff laid out a comprehensive plan to provide major infrastructure projects and new innovative services for Muscatine in the coming year while ensuring MP&W's industry-leading reliability and lower than average utility rates.

The 2018 budget includes these major projects:

- **Mississippi Drive Corridor** - All three utilities will continue to participate in and support this City multi-year project. Capital improvement projects by MP&W total over \$2.3 million dollars for 2018 planned work. The Communications and Electric Utilities will continue moving overhead transmission and distribution lines underground, along with Communications infrastructure. The Water Utility will continue to replace older water mains in conjunction with the road replacements on the Mississippi Drive corridor.

- **Well Field Development and Construction** – To continue to meet the community's water needs, the Water has budgeted over \$1 million for the expansion of the Grandview Avenue Water Treatment Plant and infrastructure upgrades.
- **Fiber to the Home/IPTV/VoIP** – Even with continued CATV Programming Costs from content providers, the Communications Utility is working hard to keep costs in line and provide a customer experience that can be found nowhere else in the immediate area with the Fiber to the Home (FTTH) Project. This project enables the Muscatine Community to join the elite ranks of Gigabit communities, allows the conversion of the cable TV system to Internet Protocol Television (IPTV), and will make telephone service using Voice over Internet Protocol (VoIP) available to MP&W customers. This project will also ensure ongoing reliability and reduce maintenance requirements in the long term.

“Not-for-profit means we reinvest Utility income into infrastructure, operations and capital improvements that benefit the community. Our customer-owners should feel confident that our proposed budget contains only what is necessary to provide the services they need at the level of service they expect,” said Jerry Gowey, Director of Finance and Administrative Services.

Muscatine residents and businesses can expect to see their utility rates remain below national averages wherever possible while enjoying the advantages of service reliability and rates that are the envy of many cities, all delivered with outstanding local customer service.

Electric Utility

Wholesale Energy revenue increases 12.6% due to the anticipated energy market conditions, but is offset by the lower capacity revenue prices. Operating expense is approximately 1.9% higher than the 2017 forecast driven by increases in production fuel (coal), operation expenses, emission allowance costs and depreciation. These increases are offset by decreases in purchased power cost and maintenance expense. Maintenance expense includes \$1.06 million for the scheduled overhaul of the Unit 7 Turbine and Unit 8 Boiler stud and refractory replacement.

\$8.65 million is budgeted for projects including Mississippi Drive Corridor project, a rebuild of the Oregon Street substation transformer, completion of an Engineering and Feasibility Study to add a 161kV Transmission Line, Phase V of the LED Street Lighting Program, Cedar Street Substation Underground Cable Replacements Project, design and construction of a hardened data center, distribution system extensions and improvements and generation plant upgrades.

A previously approved 2% revenue adjustment beginning August 1, 2018 is included in the budget assumptions. The increase is necessary to recover costs and reasonably achieve stated financial targets.

Water Utility

2018 operating expense for the Water Utility is projected to be 3.4% higher than the 2017 forecast due mainly to increases in costs for operation, maintenance, and labor. The operation and maintenance cost increases include: higher well cleaning, pumping power, and water main maintenance expenses. Budgeted capital expenditures are \$2.73 million, which includes \$543,000 for a Round Reservoir Rehabilitation Project, \$1.0 million for the expansion of the Grandview Avenue Water Treatment Plant, \$227,000 for replacement of old water mains in conjunction with the City's Mississippi Drive Corridor Project, \$110,000 for engineering for the West Hill Reservoir Pumping Project, and \$847,000 for miscellaneous water main replacement projects and Infrastructure upgrades.

The budget includes a 5.5% revenue adjustment beginning April 1, 2018, budgeted to preserve operating margins.

Communications Utility

Total operating expenses for the Communications Utility are projected to increase 8.4% in 2018. Programming costs continue to be the single largest expense driver in the budget and are expected to continue to increase.

Budgeted capital expenditures are \$9.52 million which includes \$8.09 million for the ongoing construction of the FTTH system, \$105,000 for the Mississippi Drive Corridor Project, and \$1.321 million for Internet system protection and miscellaneous upgrades.

The budget includes a 7% revenue adjustment beginning April 1, 2018, budgeted to preserve operating margins. Even with escalating CATV prices, communications services remain competitive; their value being further enhanced by the exceptional, local customer service that MP&W delivers.

The Muscatine Board of Electric, Water and Communications Trustees will be asked to approve the Utility's 2017 Operating Budget at their November 28, 2017 meeting.

In other action:

- The Board Authorized the Communications Utility Loan Agreement
- Dates were set for a public hearing for the 2018 Annual Operating Budgets
- The 10-year Financial Projections were received and placed on file
- Mr. LoBianco shared a letter from the Iowa Association of Municipal Utilities thanking MP&W for sending crews and equipment to Wauchula, Florida on September 22, 2017 in response to an IAMU Mutual Aid Request to assist the Wauchula Municipal Electric with electric system restoration efforts after Hurricane Irma.

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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 responsibly,

competitively, and responsibly. MP&W provides reliable electricity, high quality water, and state-of-the-art communications services, including video and broadband 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.