

Electric Utility
Review of Operating Results
January 2017

MUSCATINE POWER AND WATER - ELECTRIC UTILITY
VARIANCES FROM BUDGETED NET POSITION - JANUARY 31, 2017

Page 1

(Unfavorable)/
 Favorable Compared
 to Budget

Sales of Electricity	
Native System Sales	\$ 80,515 2.0% higher kWh's, offset by a 0.3% lower average sales price (\$.06643/kWh versus \$.06660/kWh budgeted)
Wholesale Sales	541,010 14.4% higher average sale price (\$.03741/kWh versus \$.03269/kWh), plus 5.0% higher kWhs sold
	<u>621,525</u>
Steam Sales	<u>6,192</u> 7.1% higher pounds of steam sold, offset by a 6.1% lower average sales price
Other Revenue	
By-Product Revenue	3,455 Fly ash sales (2,200) Gypsum sales not realized
Miscellaneous Revenue	(2,768) Lower job sales, net of expenses 11,539 Higher transmission revenue <u>977</u> Other miscellaneous variances - net <u>11,003</u>
Operating Expense	
Purchased Power	(404,683) Average purchase price is 6.7% higher (\$.03392/kwh vs \$.02906/kwh), plus 1.9% higher kWhs purchased
Production Fuel	(207,012) 11.1% or 7,891 higher number of coal tons burned, plus a 2.9% higher price/ton 4,182 Unit 9's lower fuel oil usage (4,506) Unit 8's natural gas usage was not budgeted (4,720) CCR compliance costs were not budgeted <u>641</u> Other miscellaneous variances - net <u>(211,415)</u>
Emissions Allowance	<u>76,809</u> Market price lower than assumed
Operation	(37,829) Higher bottom ash handling expense due to timing 11,775 Lower gas usage for auxiliary boiler (2,019) Higher limestone usage (13,966) Higher cost for IDNR Title V permit fee 15,000 316(b) Impingement/entrainment study not expended 5,000 Coal and byproduct analysis not completed (3,237) Higher cost for continuous emissions monitoring system consulting (3,733) Higher cost of Unit 9 4-SYTE system strategy program due to timing in budget (4,592) Higher cost for plant safety materials 6,923 Lower cost for rail car storage and administration fees 3,000 North American Energy Markets membership, not expended 4,179 NERC assessments not expended 58,002 Lower cost for MISO's multi-value transmission projects 110,000 Transmission coordination study, not begun 7,550 Midwest Municipal Transmission Group dues, not expended 7,992 Electric line workers' tools not needed 2,500 Lean supplies, not expended 13,000 Trees Forever, not expended (13,661) Higher cost for commercial lighting rebates 5,000 Motor rebates not expended 2,454 Lower cost for payment processing 2,831 Lower cost for computer hardware/software 10,670 Board legal services not expended 4,220 Environmental/regulatory legal service not expended 2,000 Transmission/reliability standards attorney not expended

MUSCATINE POWER AND WATER - ELECTRIC UTILITY
VARIANCES FROM BUDGETED NET POSITION - JANUARY 31, 2017

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(Unfavorable)/
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4,860	Financial audit services, not expended
3,375	Employee search services, not needed
4,521	Lower cost for workers compensation claims and insurance
8,831	Lower healthcare costs
47,643	Lower FICA expense
(15,061)	Higher cost of deferred comp's utility match
(2,369)	Unemployment expense not budgeted in January
6,866	Higher fringe benefits charged to capital projects
3,272	Lower cost due to IUB regulatory assessment credit
2,249	Lower cost for gasoline/diesel fuel
21,146	Less training/travel
(5,964)	Higher cost for temporary labor services
(16,671)	Higher labor cost
6,920	Lower vacation accrual
(14,871)	Other miscellaneous variances - net
<u>285,635</u>	

Maintenance	2,006	Plant contracted insulation replacements not expended
	2,000	State elevator inspection and permits not expended
	(3,100)	Unit 8 fire protection pump/check valve repair not budgeted
	(14,587)	Higher bottom ash system materials expense
	7,650	Lower fly ash system materials expense
	(3,484)	Inspection Unit 7 stack fall protection system not budgeted
	(10,656)	Higher cost for Unit 7 safety valve repairs
	(8,229)	Unit 8 isolation balloon for flue gas exhaust stack not budgeted
	(5,677)	Unit 8 distributive control repair not budgeted
	(17,443)	Unit 9 drum level gauge glass assembly not budgeted
	(4,739)	Higher cost for Unit 9 sootblower repairs
	(4,825)	Unit 9 coal feeder piping repair budgeted later in the year
	(22,587)	Replacement of 9B pulverizer ceramic tile on the journal inner cone not budgeted
	8,370	Unit 9 routine pulverizer maintenance not needed
	3,500	Unit 9 miscellaneous valve repairs not needed
	(5,612)	Inspection and cleaning Tower 902 not budgeted
	(4,306)	Unit 9 turbine & control valves inspection/overhaul timing in budget differs
	15,456	Lower cost for transmission line maintenance
	2,529	Distribution line transformer maintenance not expensed
	2,850	Bridge lighting repairs not needed
	2,000	Radio equipment maintenance not needed
	9,251	Lower labor cost
	<u>34,887</u>	Other miscellaneous variances - net
	<u>(14,746)</u>	
Depreciation	<u>57,135</u>	Net value of the A&G assets were overestimated for the budget
Nonoperating Revenue (Expense)		
Interest Income	8,944	Higher average cash balances
Interest Expense	<u>(134)</u>	
	<u>8,810</u>	
Capital Contributions	<u>2,863</u>	CenturyLink transformer
Change in Net Position	<u>\$ 439,128</u>	Total Variance from Budgeted Net Position

Statements of Revenues, Expenses and Changes in Net Position

Sales of Electricity

Native System Sales

2.0% higher kWh's sold, due Industrial customers' increase over budget, offset by a 0.3% lower average sales price per kWh (\$.06643/kWh versus \$.06660/kWh budgeted), resulted in \$80,515 higher revenue.

Wholesale Sales

5.0% higher kWhs sold, plus a 14.4% higher average sales price (\$.03741/kWh versus \$.03269/kWh budgeted), resulted in \$541,010 higher revenue than projected.

Steam Sales

7.1% higher pounds of steam sold, offset by a 6.1% lower average sales price, resulted in \$6,192 higher revenue than projected.

Other Revenue

By-Product Revenue

Fly ash sales are \$3,455 higher than budgeted; gypsum sales, budgeted at \$2,200, was not realized.

Miscellaneous Revenue

Transmission revenue is \$11,539 higher than budgeted. Job sales revenue is \$2,768 lower than budgeted.

Nonoperating Revenue (Expense)

Interest Income

Interest income is \$8,944 higher than budgeted due to higher average cash balances.

Statement of Net Position

Liabilities

Health and Dental Insurance Provision

Health care claims have been less than premiums accrued. The current portion is based on the third party administrator's estimate of incurred but unpaid health claims at year end. This estimate is adjusted in December each year.

Summary of Expenses

Purchased Power – (555)

A 16.7% higher average purchase price (\$.03392/kWh versus \$.02906/kWh budgeted), plus 1.9% higher kWhs purchased, resulted in \$404,683 higher cost.

Generation

Fuel – Coal – (501-001)

11.1% or 7,891 more tons of coal burned, plus a 2.9% higher price/ton, resulted in \$207,012 higher coal expense.

Fuel – Fuel Oil – (501 cat 08)

Unit 9's fuel oil usage is lower than budgeted resulting in \$4,182 lower expense.

Fuel – Gas – (501-002)

There budget assumed there would be no Unit 8 natural gas usage; actual expense is \$4,506.

Landfill Operation Expense – (501-925)

CCR compliance expenses totaling \$4,720 were not budgeted; material handling labor expense is \$2,126 greater than the budget.

Emissions Allowance Expense - (509)

Expense is based on current market price, which is \$76,810 lower than budgeted.

Annual SO2 - CSAPR allowance information follows:						
1/1/17 Beg balance		GPC	Allowances	MPW	GPC	Allowances
Allocation + Purchases + Provides		= Available	Electricity + Steam	= Consumed		
1905.0	0.0	127.0	6134.5	38.2	127.0	165.2
			Valued @	\$128	\$254	
				Ending Balance 1/31/17		5969.3

Annual NOx allowance information follows:						
1/1/17 Beg balance		GPC	Allowances	MPW	GPC	Allowances
Allocation + Purchases + Provides		= Available	Electricity + Steam	= Consumed		
1710.0	0.0	168.0	3179.7	99.7	168.0	267.7
			Valued @	\$0	\$1,512	
				Ending Balance 1/31/17		2912.0

Generation (cont'd)Steam Expense – Boiler – (502-004)

Bottom ash handling expense is \$37,826, which was not budgeted in January. Gas usage for the auxiliary boiler is \$11,775 lower than budgeted.

Steam Expense – Pollution Control – (502-005)

Labor expense is \$7,738 lower than budgeted; limestone expense is \$2,019 higher than budgeted.

<u>Miscellaneous Steam Power Expense - (506)</u>	2017	2017
	<u>Budget</u>	<u>Actual</u>
Labor	\$78,677	\$85,179
IDNR Title V permit fee	8,307	22,273
PM2.5 modeling	2,000	-
316(b) cooling water impingement/entrainment study	15,000	-
Coal and byproduct analysis	5,000	-
Continuous emissions monitoring system consulting	4,380	7,617
ESC software engineering time/maintenance	2,100	2,057
Unit 9 4-SYTE system strategy program	667	4,400
Plant safety material expenses	8,971	13,563
Rail car storage/switching costs/admin fees	17,951	11,028
Travel/training	2,150	4,283
Temporary labor services	2,600	7,469
Ground maintenance	1,050	-
Membership/subscriptions	325	3,300
Gasoline/diesel fuel	1,167	838
Other expenses	14,266	11,436
	<u>\$164,611</u>	<u>\$173,443</u>

<u>Maintenance of Structures - (511)</u>	2017	2017
	<u>Budget</u>	<u>Actual</u>
Labor	\$24,158	\$14,278
Elevator maintenance	3,813	3,453
State elevator inspection and permits	2,000	-
Contracted insulation replacement/repair	2,006	-
Overhead door maintenance	1,000	-
Unit 8 fire protection pump/check valve repair	-	3,100
Other expenses	17,626	7,657
	<u>\$50,603</u>	<u>\$28,488</u>

Generation (cont'd)

<u>Maintenance of Boiler Plant - Boiler - (512-006)</u>	2017	2017
	<u>Budget</u>	<u>Actual</u>
Labor	\$62,871	\$52,640
Bottom ash system materials	7,786	22,373
Flyash system materials	11,417	3,767
Reverse osmosis system	1,075	458
Inspect Unit 7 stack fall protection system	-	3,484
Unit 7 safety valve repairs	-	10,656
Unit 8 isolation balloon for flue gas exhaust stack	-	8,229
Unit 8 distributive control repair	-	5,677
Unit 9 drum level gauge glass assembly	-	17,443
Unit 9 sootblower repairs	2,625	7,364
Unit 9 coal feeder piping repair	-	4,825
Replace 9B pulverizer ceramic tile on the journal inner cone	-	22,587
Unit 9 routine pulverizer maintenance	8,370	-
Unit 9 miscellaneous valve repairs	3,500	-
Unit 9 boiler vent, drain, and blowdown valve repairs	1,875	-
Software/plant controls maintenance agreements	4,347	7,101
Other expenses	<u>17,285</u>	<u>9,836</u>
	<u>\$121,151</u>	<u>\$176,440</u>

<u>Maintenance of Boiler Plant – Pollution Control - (512-007)</u>	2017	2017
	<u>Budget</u>	<u>Actual</u>
Labor	\$22,343	\$26,181
Continuous emission monitoring expenses	10,399	11,298
PAC (powdered activated carbon) injection system costs	833	43
Miscellaneous limestone handling equipment repairs	949	-
Wastewater equipment maintenance	1,158	-
Scrubber waste equipment repairs	900	-
Inspect/clean Tower 902	-	5,612
FGD hydroclone repairs/replacements	1,250	-
Replace transformer for 9 precipitator transformer rectifier	-	2,940
Miscellaneous FGD equipment repairs	3,333	-
Other expenses	<u>1,739</u>	<u>4,437</u>
	<u>\$42,904</u>	<u>\$50,511</u>

Generation (cont'd)

<u>Maintenance of Electric Plant - (513-008)</u>	2017	2017
	<u>Budget</u>	<u>Actual</u>
Labor	\$19,540	\$44,438
Unit 9 turbine & control valves inspection/overhaul	-	4,306
Unit 9 transformer oil samples	2,500	-
Replace Unit 9 turbine thermocouples	-	2,085
Unit 9 miscellaneous plant maintenance	5,124	1,571
Unit 8 miscellaneous plant maintenance	422	1,780
Unit 7 miscellaneous plant maintenance	1,808	1,023
GE, EX-2000, and Mark V service agreement	1,872	-
Other expenses	83	2,004
	<u>\$31,349</u>	<u>\$57,207</u>

Maintenance of Miscellaneous Steam Plant - (514)

Labor expense is \$8,043 lower than budgeted.

<u>System Control and Load Dispatch - (556)</u>	2017	2017
	<u>Budget</u>	<u>Actual</u>
Labor	\$14,400	\$9,304
SCADA Dark Fiber service & BUCC MME services	1,622	1,578
MISO operating & administrative fees	13,049	12,323
North American Energy Markets membership	3,000	-
Other expenses	340	69
	<u>\$32,411</u>	<u>\$23,274</u>

TransmissionLoad Dispatching - (561)

The budget includes \$4,179 for NERC assessments and \$2,500 for control area certification, which have not been expended.

Station Expense - (562)

Substation electricians' labor expense is \$4,163 lower than budgeted.

Transmission of Electricity by Others - (565)

The cost of MISO's multi-value projects is \$58,002 lower than budgeted.

Miscellaneous Transmission Expense - (566)

The budget includes \$110,000 for a coordination study for system protection that has not begun; plus \$7,550 for MMTG annual membership dues that has not been expended.

Maintenance of Station Equipment - (570)

Substation electricians' labor expense is \$10,946 higher than budgeted.

Transmission (cont'd)Maintenance of Overhead Lines – (571)

Line maintenance performed by MEC for the joint section of Line 104 was budgeted at \$6,250/month; it is now estimated at \$1,000/month. Other material expenses are \$10,206 lower than budgeted.

DistributionLoad Dispatching – (581)

System control labor expense is \$6,962 higher than budgeted.

Overhead Line Expense – (583)

The budget includes \$7,992 for electric line workers' tools and tool repairs that have not been needed, plus another \$2,500 for Lean initiative expenses.

Underground Line Expense – (584)

Outside servicemen's labor and material expenses are \$949 and \$2,092 lower than budgeted, respectively.

Street Lighting – (585-STL)

Less time has been spent on street light repairs, resulting in \$1,455 lower labor expense and \$721 lower material cost.

Meter Expense – (586)

Labor expense is \$2,853 higher than budgeted.

Maintenance of Station Equipment – (592)

Labor expense is \$3,595 lower than budgeted.

Maintenance of Overhead Lines – (593)

Electric line workers' labor and material expenses are \$7,756 and \$1,834 lower than budgeted, respectively.

Maintenance of Underground Lines – (594)

Electric line workers' labor and material expenses are \$8,634 and \$2,071 lower than budgeted, respectively.

Maintenance of Line Transformers – (595)

Labor for transformer change-outs and other maintenance is \$2,529 lower than budgeted.

Maintenance of Street Lighting – (596-STL)

Bridge lighting repairs, budgeted at \$2,850, were not needed.

Maintenance of Signal Expense – (596-419)

Substation electricians' labor expense is \$1,299 lower than budgeted.

Customer Service Expense

<u>Customer Information Expense - (909)</u>	2017	2017	2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Marketing			
Media advertising	\$1,572	\$271	\$863
Postage	183	-	-
Promotional materials	-	33	-
Photo library	254	162	162
Subtotal - Marketing	<u>2,009</u>	<u>466</u>	<u>1,025</u>
Energy Services			
Trees Forever	13,000	-	-
Customized energy efficiencies	300	-	-
Compact fluorescent exchange program	600	290	386
Customer awareness programs	83	-	-
Presentation materials	<u>1,525</u>	-	-
Subtotal - Energy Services	<u>15,508</u>	<u>290</u>	<u>386</u>
	<u><u>\$17,517</u></u>	<u><u>\$756</u></u>	<u><u>\$1,411</u></u>

<u>Energy Efficiency Rebates - (912)</u>	2017	2017	2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Compact fluorescent lighting	\$250	\$8	\$504
Commercial lighting	6,250	19,911	-
Air conditioning	1,675	2,370	1,400
Refrigerator	832	450	420
City building improvement	1,500	-	-
Washing machine	500	300	400
Customized energy efficiency	-	1,125	-
Water heater	450	200	1,050
Geo-thermal	1,000	2,100	-
Motor	5,000	-	-
Dishwasher	<u>400</u>	<u>350</u>	<u>300</u>
	<u><u>\$17,857</u></u>	<u><u>\$26,814</u></u>	<u><u>\$4,074</u></u>

Consumer Accounts

<u>Consumer Records and Collection - (903)</u>	2017	2017	2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Labor	\$30,332	\$26,251	\$28,195
Temporary labor services	87	2,012	-
Postage	2,383	2,207	407
Payment processing fees	4,597	2,143	429
Collection fees	990	594	642
Integrated voice response service	165	139	-
Travel/training	25	-	-
Gasoline/diesel fuel	250	177	151
Other	674	284	143
	<u>\$39,503</u>	<u>\$33,807</u>	<u>\$29,967</u>

Administrative and General

<u>Office Supplies - (921)</u>	2017	2017	2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Phone expense	\$3,227	\$2,788	\$3,398
Memberships/subscriptions	5,406	6,289	4,358
Internet/MME	1,385	1,299	1,299
Office furniture	665	-	-
Computer hardware/software	3,352	521	2,476
Vehicle allowance	1,039	1,039	1,029
Vehicle maintenance	783	341	264
Gasoline/diesel fuel	333	136	149
General office supplies	1,149	932	206
Other	2,015	1,427	1,328
	<u>\$19,354</u>	<u>\$14,772</u>	<u>\$14,507</u>

Administrative and General (cont'd)

<u>Outside Services Employed - (923)</u>	<u>Resp</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>
	<u>Code</u>	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Legal services	140-Brandy	\$10,670	-	\$1,244
Environmental/regulatory legal services	140-Brandy	4,220	-	-
Transmission/reliability standards attorney	140-Brandy	2,000	-	-
NERC audit preparation consultant	140-Brandy	-	-	2,850
Coal & transportation attorney	140-Brandy	416	-	-
Bond counsel	140-Brandy	625	-	-
Labor attorney	140-Brandy	420	1,231	-
Web design service	224-Rick	1,073	705	572
Insurance advisor	310-Jerry	3,402	3,402	3,402
Financial audit services	320-Cassie	4,860	-	3,055
Coal & transportation consulting	331-Brad	5,000	5,000	6,151
Fuel procurement committee consulting	331-Brad	1,500	-	-
Benefits consulting	410-Erika	6,035	6,035	6,035
Employee search services	410-Erika	3,375	-	-
Labor legal services	410-Erika	-	-	75
MISO consultant	610-Gage	417	-	-
		<u>\$44,013</u>	<u>\$16,373</u>	<u>\$23,384</u>

Injuries and Damages – (925)

Workers compensation claims and insurance premiums are \$2,479 and \$2,042 lower than budgeted, respectively.

<u>Employee Pensions and Benefits (926)</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Pension	\$195,653	\$195,653	\$179,935
Healthcare costs	205,942	197,111	197,362
FICA	111,121	63,478	107,056
Deferred comp utility match	28,000	43,061	28,138
Dental	8,360	7,894	8,498
Educational reimbursements	4,860	2,344	4,033
LTD insurance	5,214	4,893	5,011
Life insurance	3,750	3,812	3,550
Post-employment health benefit	2,286	2,286	2,316
Unemployment expenses	-	2,369	1,728
Other expenses	2,203	1,835	1,670
	<u>\$567,389</u>	<u>\$524,736</u>	<u>\$539,297</u>

Fringe Benefits Charged to Construction – (927)

More time has been charged to capital projects than projected.

Regulatory Commission - (928)

An adjustment for a prior year Iowa Utilities Board assessment was received in January resulting in \$3,272 lower expense.

Administrative and General (cont'd)

<u>Miscellaneous General Expense - (930)</u>	2017	2017	2016
	<u>Budget</u>	<u>Actual</u>	<u>Actual</u>
Employment expenses	\$1,458	\$2,297	\$414
APPA dues	1,848	2,032	1,848
IUB Iowa Energy Center	4,167	4,383	4,182
IAMU membership	2,833	2,962	2,821
Economic development pledge	2,363	2,363	-
Legal publications	439	640	557
Continuous Improvement	3,981	1,051	-
Subscriptions/memberships	1,808	2,385	4,501
Employee team expenses	1,221	1,940	2,771
Training/travel	23,279	3,707	2,853
Safety-related expenses	644	630	3,115
Labor	5,330	4,731	5,243
Temporary labor services	7,348	6,519	2,864
Board trustee fees	608	608	608
Other expenses	6,131	3,441	1,742
	<u>\$63,458</u>	<u>\$39,689</u>	<u>\$33,519</u>

Maintenance of General Plant – (932)

Radio equipment maintenance, budgeted at \$2,000, was not needed. Vehicle and computer hardware/software maintenance costs are \$3,588 and \$1,977 lower than budgeted.

Depreciation – (933)

The budget overestimated the net value of A&G assets at 2016 year end.

Electric Utility
Statement of Net Position Review
January 2017

	<u>2017</u>	<u>2016</u>
<u>Current Assets</u>		
<u>Consumer Accounts</u>		
Customer Electric Accounts	\$5,194,151	\$4,857,608
Unbilled Revenue	479,274	482,645
Merchandise Accounts	262,164	416,861
Allowance for Doubtful Accounts	(8,173)	(50,224)
	<u><u>\$5,927,416</u></u>	<u><u>\$5,706,890</u></u>
<u>Inventories</u>		
Inventory	\$5,021,909	\$5,272,823
Emission Allowance - S02	123,910	169,777
Emission Allowance - Nox	219,211	279,622
Stores Expense	(12,307)	(108,032)
Gas and Diesel Fuel	111,310	158,062
Limestone	124,613	128,495
	<u><u>\$5,588,646</u></u>	<u><u>\$5,900,747</u></u>
<u>Prepaid Expenses</u>		
Prepaid Insurance	\$453,988	\$472,963
Prepaid Maintenance Contracts	265,107	214,910
Prepaid Travel	24,192	15,130
Other Prepaid Expenses	73,242	84,637
	<u><u>\$816,529</u></u>	<u><u>\$787,640</u></u>
<u>Current Liabilities</u>		
<u>Accounts Payable (amounts over \$10,000 itemized)</u>		
Water bills	\$36,458	\$30,776
Communications bills	13,812	13,812
ADA Carbon Solutions - activated carbon	43,487	---
Airgas - gases	---	10,287
Alliant Energy - gas	7,337	---
Allied Valve - valve repair	10,614	---
Alstom Power - coal pipe/liners	12,100	---
Bank of America - supplies	12,646	---
Black & Veatch - engineering services	67,213	---
CDW-G - software/licenses	---	35,935
City of Muscatine - wastewater/sanitation	114,059	24,356
Cogsdale - business system implementation	142,056	---
HyVee - lighting rebate	13,846	---
IA DNR - Title V Fee	347,838	55,884
Iowa Chicago & Eastern RR - coal transportation	38,930	38,930
Iowa Utilities Board - assessment	35,931	---
Jefferies Refined Coal - refined coal	3,851,469	3,686,983
Lewis Industrial - tower 902 repair	---	30,971
Linwood - limestone	---	---

MAGIC - ESRI maintenance/license	10,631	---
MidAmerican Energy - joint trans line maint	3,000	36,250
MISO - purch power/trans svc/admin fee	305,357	106,883
Miller Mechanical - gage body/parts	21,390	---
MJ Electric - South Sub autotransformer	43,788	---
PC Connection Sales Corp - server	---	21,806
Pentair Valves & Control - valves	---	16,431
Power Systems Engineering - south sub expansion	46,503	20,875
Resco - armor rods/cable wire	---	27,706
Secure Works - yrly maint	---	11,786
South Fork Wind - energy	92,196	---
Tenaska - monthly fee	---	15,000
Trench LTD - transformers	34,680	---
Vision Industrial Sales - oil	---	12,096
Other	<u>251,449</u>	<u>252,541</u>
	<u><u>\$5,556,790</u></u>	<u><u>\$4,449,308</u></u>

Miscellaneous Accrued Expenses

Interest on Customer Deposits	\$87,614	\$89,395
Sales/Use Tax Collections Payable	60,823	47,065
Payroll Tax Collections Payable	348,584	182,547
Employee Payroll Deductions	14,909	3,847
Workers' Comp Self Insurance Reserves	427,694	385,029
Comp Time Payable	43,271	32,139
Employee team bank	<u>66,483</u>	<u>63,275</u>
	<u><u>\$1,049,376</u></u>	<u><u>\$803,297</u></u>

Water Utility
Review of Operating Results
January 2017

MUSCATINE POWER AND WATER - WATER UTILITY
VARIANCES FROM BUDGETED NET POSITION - January 31, 2017

	(Unfavorable)/ Favorable Compared to Budget	
Sales of Water		
Contract Customers	\$ 23,054	GPC consumption is 14.9% higher than budgeted, partially offset by lower billing rate
	9,139	Plant consumption is 54.7% higher than budgeted, partially offset by lower billing rate
	(3,540)	Residential consumption is 7.4% lower than budgeted, partially offset by higher billing rate
All Other Classes	2,454	Other miscellaneous variances
	<u>31,107</u>	
Other Revenue		
Merchandise & Job Sales-Net	(590)	Lower job sales revenue
Miscellaneous Revenue	222	Other miscellaneous variances
	<u>(368)</u>	
Operating Expense		
Operation	(3,313)	Higher fuel/power purchased due to 4.2% lower cost per kWh, offset by 15.03% more gallons pumped
	7,179	Bacteria sampling not incurred
	1,019	Lower credit card processing
	4,741	Lower IPERS
	1,162	Lower health care cost
	(1,506)	Higher deferred compensation
	4,994	Lower labor, sick, personal and vacation expense
	(596)	Other miscellaneous variances - net
	<u>13,680</u>	
Maintenance	4,684	Maintenance labor under budget
	(3,191)	Replace panel at Progress Park treatment plant
	1,349	Maintenance agreements less than budget
	(102,480)	Maintenance and cleaning of wells 25 and 27 budgeted in 2016
	(4,014)	Other miscellaneous variances - net
	<u>(103,652)</u>	
Depreciation	<u>908</u>	
Nonoperating Revenue (Expense)		
Interest Income	29	
Interest Expense	(288)	
	<u>(259)</u>	
Change in Net Loss before Capital Contributions	<u>(58,584)</u>	
Capital Contributions	<u>-</u>	
Change in Net Position	<u>\$ (58,584)</u>	Total Variance in Budgeted Net Position

Statements of Revenues, Expenses and Changes in Net Position

Sales of Water

Contract customers' water usage is 13.7% higher than budgeted, offset by lower contract rates resulting in \$24,000 more revenue. GPC's usage was 14.9% higher than budget partially offset by a 3.8% lower billing rate, resulting in \$23,054 more revenue. Heinz's usage was 1.8% higher than budget with a 2.2% higher billing rate, resulting in \$946 more revenue. Power plants' revenue was \$9,139 or 33.6% higher than budget due to 54.7% higher usage offset by a 13.6% lower billing rate. Residential customers' water usage is 7.4% lower than budgeted, offset by a 5.6% higher billing rate, resulting in \$3,540 lower revenue. Commercial customers' water usage is 5.7% lower than budgeted, offset by a 9.6% higher billing rate, resulting in \$1,508 more revenue.

Year-To-Date Summary of Expenses

Source of Supply

Maintenance of Supply Wells – (614)

Maintenance on wells #25 and #27 is over budget by \$42,374. This was budgeted in 2016, but not finished until this year.

Pumping

Fuel or Purchased Power – (623)

The cost per kWh was 4.2% lower than budget, offset by 15.0% more gallons pumped than budget, resulting in \$3,312 higher expense.

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
Fuel or Power Purchased	\$78,448	\$81,760	\$72,922
1,000 Gallons Pumped	<u>754,319</u>	<u>867,795</u>	<u>763,975</u>
Cost per 1,000 Gal. Pumped	\$0.1040	\$0.0942	\$0.0955
kWhs Consumed	1,237,623	1,346,220	3,220,820
kWh per 1,000 Gal.	1.64	1.55	1.60
Pumped			

Maintenance of Pumping Equipment – (632/633)

Pump 27 and Pump 25 are over budget \$56,994 and \$3,112, respectively. This was budgeted in 2016 and not finished until 2017.

Water Treatment

Operations Labor and Expense – (642)

Materials are under budget \$7,179 in Production, due to bacteria sampling budgeted in January and not incurred.

Maintenance of Structures – (651)

Water production materials are over budget \$3,191, due to the replacement of a panel at Progress Park treatment plant

DistributionMiscellaneous Expense – (665)

Miscellaneous expense is over budget \$6,589, mostly due to a stores adjustment.

Maintenance of Valves – (674)

Labor expense is under budget by \$480. Materials expense is \$2,515 lower than budget due to lower cost for outages occurring to date when turning valves .

Miscellaneous Plant – (678)

Labor is over budget \$1,047. Materials are over budget \$2,186 due to backhoe repairs.

Vacation, Holiday, Sick Leave – (679)

Labor is over budget \$3,031, mainly in the distribution department.

Customer Information Expense – (909)

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
Promotional Material/Education	\$---	\$14	\$---
Media Advertising	510	115	381
Billtrust	30	---	---
Presentation Materials	132	---	---
Postage	79	---	---
Photo Library	<u>22</u>	<u>15</u>	<u>14</u>
	<u>\$773</u>	<u>\$144</u>	<u>\$395</u>

Consumer Accounts – (903)

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
Labor	\$12,010	\$10,211	\$11,399
Credit Card Processing	1,019	---	---
Bill Trust Expense	475	377	---
Postage	1,029	953	176
Temp Services	37	869	---
Fuel	150	76	66
Invoice Cloud	187	174	170
Collection Expense	396	257	277
IVR	71	60	---
Other Expenses	<u>624</u>	<u>494</u>	<u>77</u>
	<u>\$15,998</u>	<u>\$13,471</u>	<u>\$12,165</u>

Administrative and GeneralOutside Services Employed – (923)

	<u>Resp Code</u>	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2016 Actual</u>
Legal Fees	140-Brandy	\$490	\$---	\$107
Labor Attorney	140-Brandy	100	---	---
Web Graphics	224-Rick	93	61	49
Insurance Advisor	310-Jerry	294	294	294
Audit Services	320-Cassie	420	---	264
Benefits Consulting	410-Erika	521	521	522
Employee Search Services	410-Erika	<u>292</u> <u>\$2,210</u>	<u>---</u> <u>\$876</u>	<u>---</u> <u>\$1,236</u>

Employee Pensions and Benefits – (926)

	<u>2017 Budget</u>	<u>2017 Actual</u>	<u>2017 Actual</u>
Health Care Cost	\$27,098	\$25,936	\$23,068
Pension	13,799	13,799	13,438
FICA	12,021	7,280	11,296
IPERS	3,798	2,181	4,251
Deferred comp utility match	2,800	4,306	3,206
Life, LTD & ADD	928	899	1,010
Dental	1,100	1,039	993
OPEB	301	301	271
Other Expenses	<u>637</u>	<u>1,191</u>	<u>118</u>
	<u>\$62,482</u>	<u>\$56,932</u>	<u>\$57,651</u>

Fringe Benefits Charged to Construction – (927)

More time was charged to capital projects in January than projected.

Miscellaneous General Expense – (930)

Labor expenses are lower than budget by \$1,198, mostly in water production, distribution and environmental departments. Travel is lower than budget by \$2,042.

Water Utility
Statement of Net Position Review
January 2017

	<u>2017</u>	<u>2016</u>
Current Assets		
<u>Receivables - Consumer Accounts</u>		
Customer Water Accounts	\$603,940	\$556,625
Unbilled Revenue	68,790	65,128
Merchandise Accounts	9,957	6,877
Allowance for Doubtful Accounts	<u>(3,165)</u>	<u>(1,710)</u>
	<u>\$679,522</u>	<u>\$626,920</u>
<u>Inventories</u>		
Inventory	\$344,164	\$352,906
Stores Expense (a/c 163)	<u>(699)</u>	<u>(6,239)</u>
	<u>\$343,465</u>	<u>\$346,667</u>
<u>Prepaid Expenses</u>		
Prepaid Insurance	\$34,766	\$37,096
Prepaid Maintenance Contracts	15,460	16,050
Other Prepaid Expenses	<u>(1,431)</u>	<u>(246)</u>
	<u>\$48,795</u>	<u>\$52,900</u>
Current Liabilities		
<u>Accounts Payable (amounts over \$2,500 itemized)</u>		
Electric bills	\$90,366	\$82,037
Alexander Chemical Corp - chlorine	6,030	6,030
Brown Supply - valves/gaskets	3,542	---
Carus Corporation - phosphate	---	40,015
Cogsdale - business system implementation	11,524	---
E H Wachs - wire loop	2,991	---
HD Supply - hydrants	9,105	---
Hometown Plumbing - leak repair	5,268	---
Hupp Electric Motors - well motor	---	11,611
IPERS - pension	4,467	5,957
Metering & Tech Solutions - encoders/meters	8,789	9,822
Municipal Pipe Services - large valve replacements	12,500	---
Municipal Supply - valves/couplings	4,491	---
Northway - well cleaning/pump repairs	105,400	---
USA Blue Book - fittings	1,693	3,083
Wendling Quarries - main replacement	5,698	---
Other	<u>26,385</u>	<u>25,109</u>
	<u>\$298,249</u>	<u>\$183,664</u>
<u>Customer Advances for Construction</u>		
Aspen Villas		\$43,873
Curry Trucking	\$30,815	---
Lutheran Homes	59,640	6,000
Oakview Plaza	---	36,991
Others	<u>650</u>	<u>575</u>
	<u>\$91,105</u>	<u>\$87,439</u>
<u>Miscellaneous Accrued Expenses</u>		
Sales/Use Tax Collections Payable	\$7,692	\$7,256
Payroll Tax Collections Payable	11,688	14,778
Employee Payroll Deductions	4,245	2,577
Workers' Comp Self Insurance Reserves	41,027	36,205
Comp Time Payable	<u>3,128</u>	<u>3,521</u>
	<u>\$67,780</u>	<u>\$64,337</u>

Communications Utility

Review of Operating Results

January 2017

MUSCATINE POWER AND WATER - COMMUNICATIONS UTILITY
VARIANCES FROM BUDGETED NET POSITION - JANUARY 31, 2017

(Unfavorable)/
 Favorable
 Compared to
 Budget

Operating Revenue

CATV Revenue	\$ (28,871)	Lower CATV revenues due to less subscribers 5,572 vs. 5,489
	9,620	Lower marketing promotional discounts (\$32,563 vs. \$22,943)
	2,703	Higher video on demand revenues due to more buys
	(2,328)	Lower ad sales
	(1,509)	Lower converter rentals due to less subscribers
	(2,827)	Other miscellaneous variances - net
	<u>(23,212)</u>	
Data/Internet Revenue		
	10,816	Higher cable modem revenues due to higher subscribers (8,175 vs. 8,266)
	(4,545)	Higher promotional discounts due to higher subscribers
	2,615	Higher Wi-fi @ Home
	1,118	Other miscellaneous variances - net
	<u>10,004</u>	
MME	<u>14,623</u>	More subscribers than budgeted
Miscellaneous Revenue	<u>(4,045)</u>	CATV signal transmission timing of revenue

Operating Expense

Operation	20,145	Lower programming due to less subscribers
	1,058	Lower fuel expense
	(1,496)	Higher temp services
	1,985	Lower credit card processing fees
	3,440	Lower legal costs
	8,250	Lower FICA
	(2,259)	Higher deferred compensation
	(1,992)	Higher unemployment tax
	3,000	FTTH graphic design expense not incurred
	11,151	FTTH promotional expense not incurred
	61	Other miscellaneous variances - net
	<u>43,343</u>	
Maintenance	22,467	Lower maintenance agreements, mostly bandwidth and CMTS
	11,694	Lower labor
	1,082	Other miscellaneous variances - net
	<u>35,243</u>	
Depreciation		Lower depreciation due to fewer fixed assets purchases in 2016 than anticipated
	<u>10,274</u>	

Nonoperating Revenue (Expense)

Interest Income/expense	<u>938</u>	Higher interest income
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Change in Net Position before Capital Contributions

87,168

Capital Contributions

(359) MME equipment contributions not budgeted

Change in Net Position

\$ 86,809 Total Variance from Budgeted Net Position

Statement of Revenues, Expenses and Changes in Net Position

Operating Revenues

CATV

Customer levels totaled 5,489 actual vs. 5,572 budgeted.

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Basic revenue	\$18,351	\$17,698	\$15,912
Select revenue	355,318	337,505	337,070
Preferred revenue	58,086	60,591	61,449
Premiums revenue	25,163	22,214	27,575
Bulk revenue	33,020	23,059	21,712
PPV	3,341	4,114	2,239
VOD	<u>12,397</u>	<u>15,100</u>	<u>13,519</u>
Subtotal	\$505,676	\$480,281	\$479,476
Converter rentals	83,282	81,773	84,927
Ad insertion revenue	31,000	28,672	70,249
Other CATV revenues	<u>4,550</u>	<u>150</u>	<u>3,897</u>
Gross CATV Revenues	\$624,508	\$590,876	\$638,549
Discounts	<u>(32,563)</u>	<u>(22,943)</u>	<u>(24,992)</u>
Net CATV Revenue	<u>\$591,945</u>	<u>\$567,933</u>	<u>\$613,557</u>

Data/Internet Revenue

Subscriber levels are 8,266 actual vs. 8,175 budgeted.

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Cable modem	\$417,000	\$427,816	\$399,174
Wi-fi @ Home	18,322	20,937	16,795
Wimax	8,162	8,632	7,928
Modem Rentals	24,026	24,406	23,308
Other Data/Internet revenues	<u>2,625</u>	<u>2,893</u>	<u>2,883</u>
Gross Data/Internet Revenues	\$470,135	\$484,684	\$450,088
Discounts	<u>(7,916)</u>	<u>(12,461)</u>	<u>(6,757)</u>
Net Data/Internet Revenues	<u>\$462,219</u>	<u>\$472,223</u>	<u>\$443,331</u>

MAN/MME

Revenue is \$14,623 higher than budget mostly due to more subscribers than budgeted.

Statement of Net Position

Liabilities

Health and Dental Insurance Provision

Health and dental care claims have been less than premiums accrued. The current portion is based on the third party administrator's estimate of incurred but unpaid health claims at year end. The estimate is adjusted annually.

Year-To-Date Summary of Expenses

CATV

Program Acquisition Expense – (751 to 758)

Programming is lower due to lower subscribers than budgeted.

	<u>2017</u> <u>Budget</u>	<u>2017</u> <u>Actual</u>	<u>2016</u> <u>Actual</u>
Basic	\$71,972	\$64,236	\$67,243
Select	133,782	129,157	125,753
Preferred	123,491	119,221	116,080
Premium	18,422	17,487	21,258
Digital	29,765	27,352	27,880
Pay-per-view	2,243	2,843	1,440
Video on demand	8,453	7,687	8,656
Total	<u>\$388,128</u>	<u>\$367,983</u>	<u>\$368,310</u>

Promotional Expense – (960)

Labor is over budget \$482, mostly in the customer service area. Materials are under budget \$5,692 due to vehicle rewrap and other FTTH expenses budgeted but not incurred through January.

Maintenance of Headend – (721-725)

Total labor is under budget by \$5,790 in the telecom and technician departments. Total materials are under budget by \$1,513, due to signal acquisition repairs budgeted but not incurred through January.

Vacation, Holiday, Sick Leave – (879)

Sick, personal and vacation is over budget \$4,038, mostly in the technician department.

Depreciation – (793)

Depreciation is lower than budget due to lower than expected expenditures for digital boxes, headend equipment, and customer drops prior to year-end 2016. Minimal equipment is being purchased until RF versus IPTV headend upgrades for the FTTH project can be determined. This type of equipment has five- and ten-year lives.

Data/Internet

Promotional Expense – (961)

Labor is over budget \$482. Materials are under budget \$5,459 due to vehicle rewrap and other FTTH expenses budgeted but not incurred though January.

Miscellaneous Data Internet – (847)

Labor is over budget \$3,513 mostly in mostly in telecom and technician departments. Materials are over budget by \$419 due to modem and router purchases.

Maintenance of Headend – (820, 821)

Telecom is over budget \$3,993 partially offset by data under budget by \$3,371. Materials are over budget by \$21,458, mostly due to bandwidth and CMTS maintenance agreements not incurred through January.

Customer Service ExpenseCustomer Information Expense – (909-Marketing)

	2017 <u>Budget</u>	2017 <u>Actual</u>	2016 <u>Actual</u>
Promotion/Education Expense	\$ 196	\$ 27	\$---
Media Advertising	992	224	759
Billtrust	52	1	---
Postage	154	---	---
Newsletter	---	---	---
Presentation Materials	226	---	---
Other	<u>38</u>	<u>24</u>	<u>24</u>
Total	<u>\$1,658</u>	<u>\$276</u>	<u>\$783</u>

Consumer AccountsConsumer Records and Collections – (903-Customer Service)

	2017 <u>Budget</u>	2017 <u>Actual</u>	2016 <u>Actual</u>
Labor	\$37,906	\$34,479	\$35,566
Temp Services	73	1,692	---
Credit Card Processing	1,985	---	---
Bill Processing	925	735	---
Postage	2,004	1,856	342
IVR	139	117	---
Credit Bureau Fees	771	500	541
ACH Processing	586	679	---
Other	<u>2,174</u>	<u>1,446</u>	<u>3,071</u>
Total	<u>\$46,563</u>	<u>\$41,504</u>	<u>\$39,520</u>

Administrative & GeneralOutside Services – (923)

	Resp Code	2017 <u>Budget</u>	2017 <u>Actual</u>	2016 <u>Actual</u>
Legal Fees	140-Brandy	\$ 840	\$ ---	\$ 184
Employment Legal Fees	140-Brandy	100	---	---
Communications Legal Fees	140-Brandy	2,500	---	---
MCC Public Access	224-Rick	4,722	4,677	4,676
Web/Graphics Services	224-Rick	159	104	85
FTTH Design	224-Rick	3,000	---	---
Insurance Advisor	310-Jerry	504	504	504
Audit Fees	320-Cassie	720	---	453
Benefits Consulting	410-Erika	894	894	894
Employee Search Services	410-Erika	500	---	---
Other		---	---	---
		<u>\$13,939</u>	<u>\$6,179</u>	<u>\$6,796</u>

Employee Pensions & Benefits – (926)

	2017 <u>Budget</u>	2017 <u>Actual</u>	2016 <u>Actual</u>
Health care cost	\$ 37,937	\$ 36,310	\$ 35,884
Pension	30,474	30,474	28,103
FICA	18,354	10,104	16,796
Deferred compensation	4,200	6,459	4,274
Dental	1,540	1,454	1,545
Life, LTD & ADD	1,392	1,348	1,346
OPEB	421	421	421
Unemployment	---	1,992	---
Other expenses	<u>1,042</u>	<u>258</u>	<u>203</u>
	<u>\$95,360</u>	<u>\$88,820</u>	<u>\$88,572</u>

Communications Utility
Statement of Net Position Review
January 2017

<u>Current Assets</u>	<u>2017</u>	<u>2016</u>
<u>Receivables - Consumer Accounts</u>		
Customer Communications Accounts	\$1,127,562	\$1,150,723
Unbilled Revenue	85,167	86,239
Merchandise Accounts	73,290	157,480
Allowance for Doubtful Accounts	(9,003)	(11,671)
	<u><u>\$1,277,016</u></u>	<u><u>\$1,382,771</u></u>
<u>Inventories</u>		
Inventory	\$152,842	\$198,809
Stores Expense (a/c 163)	(467)	(4,226)
	<u><u>\$152,375</u></u>	<u><u>\$194,583</u></u>
<u>Prepaid Expenses</u>		
Prepaid Insurance	\$53,783	\$55,395
Prepaid Maintenance Contracts	84,063	93,278
Muscatine Schools - E-rate customer	24,888	—
Other Prepaid Expenses	377	4,832
	<u><u>\$163,111</u></u>	<u><u>\$153,505</u></u>
<u>Current Liabilities</u>		
<u>Accounts Payable (amounts over \$2,500 itemized)</u>		
Pole Rental	\$3,392	\$3,392
Arris - maintenance agreement	13,342	12,322
Big 10 - programming fee	9,825	10,176
CDW-G - wireless equip	—	17,386
Centurylink - tel/access fees	5,545	5,627
Cogsdale - business system implementation	19,755	—
Comcast Sportsnet Chicago - programming fee	23,354	—
Fox Sports Net Midwest - programming fee	23,455	23,848
Goldfield Telecom -maintenance agreement	—	22,409
Henry International - FTTH consulting	—	18,603
Insight Direct - wireless routers	8,605	—
KGCW - programming fee	116,594	—
LIN Television - programming fee	14,900	14,170
MRV Optical Communications	6,841	—
Muscatine Community College - public access	4,676	18,704
Natl Cable TV Coop - programming fee	220,214	216,978
NewComTech GIS - FTTH consulting	—	280,106
Nexstar - programming fee	31,016	—
PC Connection Sales Corp - server	—	3,242
Rovi Guides - programming fee	8,915	9,195
Showtime Networks - programming fee	—	2,811
Telco Systems - console cable	7,449	—
Tower Distribution - programming fee	15,595	15,177
Univision - programming fee	7,029	7,080
Vubiquity - programming fee	10,465	10,097
Wireless Connections - base stations	118,175	—
Other	33,309	136,622
	<u><u>\$702,451</u></u>	<u><u>\$827,945</u></u>
<u>Miscellaneous Accrued Expenses</u>		
Sales/Use Tax Collections Payable	\$20,269	\$22,294
Franchise Fees Payable	14,447	15,436
Payroll Tax Collections Payable	15,678	20,274
Workers' Comp Self Insurance Reserves	60,789	54,313
	<u><u>\$111,183</u></u>	<u><u>\$112,317</u></u>