



TO: Waupun Utilities Commissioners
FROM: Zak Bloom, General Manager
DATE: February 7, 2013
SUBJECT: 2012 Financial Report and General Information

The 2012 financial report follows.

CONSTRUCTION AND PLANT ADDITIONS SUMMARY – 2012

Total construction activity was approximately \$1,012,000 above budget, due primarily to AMI costs of \$873,000, Federal Mogul service upgrade costs of \$48,000, and \$99,000 of electric system improvements for the Shaler and Mayfair street extensions. There is no material impact on the 2012 budget because the AMI costs are funded through the 2012 Revenue Bonds and the system improvements for Shaler and Mayfair were paid for by the TIF district.

Total plant additions were approximately \$12,000 below budget. Please see the schedule for line item differences.

DASHBOARDS – 2012

Sales – budget to actual

Electric kilowatt hour sales were 1.38% above budget. Billed demand was 3.50% above budget. Distribution demand was .97% above budget. Strong sales to the Industrial Power Time-of-Day customer class contributed to the results. Electric revenues were \$414,000, or 3.91%, below budget. Please see the attached analysis, which compares budget sales units and revenue to actual.

Sewer unit sales were 6.98% above budget on increased flows in the industrial and public authority customer classes. Sewer revenues were \$311,000, or 18.03%, above budget on increased sales to the industrial class and increased surcharges from the correctional facilities.

Water sales were 8.60% above budget on strong sales to the industrial class. Water revenues were \$52,000, or 2.98%, above budget on increased industrial class sales.

Sales – 2012 to 2011

Electric kilowatt hour sales were 2.18% higher than 2011, billed demand was 3.97% higher than 2011, and distribution demand was 3.77% lower than 2011. Strong sales to the Industrial Power Time-of-Day customer class contributed to the results. Electric revenues were \$393,000, or 4.02%, higher than 2011.

Sewer unit sales were 6.45% higher than 2011 on increased flows in the industrial and public authority customer classes; which resulted in sewer revenues that were \$262,000, or 14.80%, higher than 2011.

Water sales were 6.78% higher than 2011 on increased sales to the industrial class. Water revenues were \$104,000, or 6.07%, higher than 2011, due to the increased industrial sales and the 3.20% simplified rate increase that went into effect in May.

Income Statements

Electric operating income was \$355,000 below budget. Material budget variations were as follows:

1. Operating revenues were \$402,000 below budget due to:
 - a. Timing of the rate increase - we budgeted rates to take effect in February and they were placed into effect in March
 - b. The revenue requirement authorized by the PSC was \$123,000 less than requested
 - c. Residential revenues were \$209,000 below budget due to a lower authorized customer charge and unit sales that were 3.00% below budget
 - d. Large Power TOD revenues were \$134,000 below budget; net of customers that transferred to Small Power class.
2. Purchased power expense was \$52,000 above budget.

Electric net income was \$361,000 below budget.

Sewer operating income was \$482,000 above budget. Material budget variations were as follows:

1. Operating revenues were \$312,000 above budget on increased flows to the industrial and public authority customer classes, and increased surcharges from the correctional facilities
2. WWTP operations and laboratory expenses were \$78,000 below budget due to lower power, natural gas, chemical costs, and laboratory operating expenses
3. Maintenance expenses were \$26,000 below budget
4. Administrative and general expenses were \$51,000 below budget on reduced outside services and employee benefit costs
5. Depreciation expense was \$21,000 below budget.

Sewer net income was \$443,000 above budget on investment income that was \$42,000 below budget.

Water operating income was \$191,000 above budget. Material budget variations were as follows:

1. Operating revenues were \$46,000 above budget on strong sales to the industrial class
2. Water treatment expenses were \$37,000 below budget on lower chemicals and labor costs
3. Transmission and distribution expenses were \$31,000 below budget on lower system maintenance costs
4. Administrative and general expenses were \$27,000 below budget on reduced outside services, insurance, and employee benefit costs
5. Depreciation expense was \$39,000 below budget.

Water net income was \$179,000 above budget on investment income that was \$15,000 below budget.

Balance Sheets

The electric balance sheet increased \$214,000 in 2012. Unrestricted cash decreased \$442,000 due to below budget earnings and settlement of a loan with the water utility. Receivables increased \$123,000 due to increased delinquent accounts and receivables from the City. Plant increased \$507,000 on additions of \$1,063,000 and depreciation of \$556,000. Accounts payable increased \$472,000 due to the AMI project. Long-term debt decreased \$218,000 on payments of \$328,000 and new debt of \$110,000. Retained earnings increased \$250,000 on current year activity.

The sewer balance sheet decreased \$7,000 in 2012. Cash increased \$678,000 on strong earnings, no system reconstruction, and loan payments from the water utility. Plant decreased \$601,000 on depreciation of \$686,000. Long-term debt decreased \$384,000 on routine debt payments. Retained earnings increased \$397,000 on current year activity.

The water balance sheet increased \$65,000 in 2012. Cash increased \$664,000 on strong earnings, no system reconstruction, and loan payments from the electric utility. Unrestricted cash decreased \$150,000 because the final payment on the 2008 Revenue Bonds is funded from a separate reserve account. Plant decreased \$147,000 on additions of \$376,000 and depreciation of \$523,000. Accounts payable increased \$289,000 due to the AMI project. Long-term debt decreased \$572,000 on payments of \$712,000 and debt incurred of \$140,000. Retained earnings increased \$481,000 on current year activity.

Cash and Investments – 2012

The cash and investments dashboard provides an annual comparison of cash and investment balances, and graphs that present long-term investments by maturity, type, and rating.

The long-term investments held at Baird increased \$45,000, or 1.08%, in 2012. We received interest and distributions of \$254,000, incurred portfolio management fees of \$27,000, and recorded an unrealized negative market adjustment of \$182,000.

GENERAL INFORMATION

Year-end Close and Audit Preparation

The financial audit is scheduled for February 11-13, 2013. The financial statements are complete with the exception of a true-up adjustment of our post-employment benefit liability. I do not anticipate the true-up will result in a material difference from the results reported. The remaining regulatory reports will be completed in the coming weeks.

This concludes my report for February 2013. Please contact me at 324-7923 or zbloom@wppienergy.org with any questions or concerns.



TO: Waupun Utilities Commissioners
FROM: Randy Posthuma
DATE: Feb. 7, 2013
SUBJECT: Monthly Operation Report

Water / Sewer Department:

The water / sewer department experienced four water main breaks this past month. When exposed, the breaks were identified as having radial cracks on the pipe. This indicates the pipe was poorly bedded and pressure changes of the earth due to frost movement caused the break.

Along with staying busy with water main breaks, the crew dealt with numerous frozen water services. These were caused by homeowners in the mobile home parks not checking their heat tape underneath the home and several home owners setting their heat too low and allowing pipes to freeze in the basement.

The water crew recently started AMI deployment, further updates on this deployment will be provided as part of the agenda.

Electric Department:

The Electric Department experienced no problems to the system this past month.

The electric crew spent the entire month changing out electric meters for the AMI project.

Further updates on the AMI project will be provided as an agenda item on Monday.

This concludes my report. Please do not hesitate to contact me with questions or concerns at 324-1991 or rposthuma@wppienergy.org.



TO: Waupun Utilities Commissioners
FROM: Steve Schramm
DATE: February 6, 2013
SUBJECT: Monthly Operation Report

Water Treatment Plant:

The water treatment facility is performing well.

There was one call-in this month for a “plant uncontrolled shut down”. This shutdown was due to a fluctuation in power from the transition lines experienced throughout our region.

The water plant did not experience any issues with the recent water main breaks.

The US Department of Health and Human Services (HHS) has released a notice proposing a change to the recommended optimal fluoride level in drinking water. In response to this proposed change, the Oral Health Program (OHP) in the Department of Health Services (DHS) and the Public Water Supply Section in the Department of Natural Resources (DNR), have established guidance for Wisconsin Public Water Systems (PWS) that participate in community water fluoridation. Effective February 1, 2013, the DHS recommended optimal level of fluoride for PWS is 0.70 mg/L, reduced from 1.2 mg/L. To ensure that PWS are consistently providing a fluoride level that has the greatest benefit, a recommended daily fluoride concentration control range has been established at 0.6 mg/L to 0.8 mg/L.

Wastewater Treatment Plant:

The wastewater treatment facility is performing well.

There were no call-ins to report this month.

Whole Effluent Toxicity (WET) testing is complete for the first quarter. Both acute and chronic toxicity tests were performed. WET testing is the measurement of potential effluent (discharge) toxicity to aquatic life in our receiving stream.

Crane Engineering completed work on the new scum pumping system. This new system will reduce man hours and downstream maintenance costs associated with this difficult waste.

This concludes my report. Please do not hesitate to contact me with your questions or concerns at 324-7920 or sschramm@wppienergy.org.
