

# FISCAL YEAR 2017

## SECOND QUARTER HIGHLIGHTS



August 10, 2017

### Financial Highlights

In the second quarter 2017, change in net position was a loss of \$611,127 compared to a gain of \$4,981,007 in the second quarter 2016. The change was primarily the result of WPPI implementing seasonal wholesale rates, effective January 1, 2017, that have higher demand charges during the summer months compared to the rest of the year.

The seasonal rates were designed to recover additional revenue from members during the summer period when additional capacity costs are imposed on the system. While WPPI Energy's peaking capacity needs are driven by the system's summer peak demand, the costs associated with that capacity is generally paid throughout the year. Therefore, the seasonal rates create a mismatch between booked expenses and revenues on a monthly basis. WPPI had a planned loss for the second quarter, and will see increased revenues and change in net position throughout the summer months under the new rate design. The adoption of the seasonal rate design is not expected to have a material impact on year-end financial results compared to the prior year.

Energy sales to members totaled 1,202,520 megawatt-hours (MWh) in the second quarter of 2017. This is 24,538 MWh or 2.0% less than the same period a year ago. Total operating revenues for the second quarter were \$112,413,951 or 1.3% lower than the same period a year ago. Total operating expenses for the second quarter were \$109,747,435 or 0.8% higher than the same period a year ago.

### Power Supply Update

WPPI Energy's 20% share of Boswell Unit 4 generated 190,268 megawatt-hours (MWh) of energy at an average capacity factor of 74.5% during the second quarter. This compares to generation of 205,275 MWh and an average capacity factor of 80.3% in the second quarter of 2016. Unit 4 had a six-day planned outage during the second quarter. WPPI Energy's 8.33% share of the Elm Road units generated 135,083 MWh at an average capacity factor of 58.6%. In the same quarter a year ago, the units generated 154,128 MWh at an average capacity factor of 66.8%. Unit 1 had a six-week planned outage during the second quarter. Unit 2 was offline for 12 days during the second quarter during a boiler tube leak repair.

### News Highlights

WPPI Energy recently finalized a power purchase agreement (PPA) with Chicago-based developer Invenergy that will result in the construction of a 132-megawatt (MW) wind energy center in Henry County, Ill. Under the PPA, WPPI Energy will buy all of the electricity produced by the Bishop Hill III Wind Energy Center (Bishop Hill III), from mid-2018 to mid-2040. Bishop Hill III is projected to be the most cost-effective resource currently available to the organization. The purchase will more than double the amount of wind energy in WPPI Energy's power supply portfolio.

### Company Profile

WPPI Energy is a regional power company serving 51 customer-owned electric utilities. Through WPPI Energy, these public power utilities share resources and own generation facilities to provide reliable, affordable electricity to more than 200,000 homes and businesses in Wisconsin, Upper Michigan and Iowa.

# FINANCIAL STATEMENTS

## Statements of Net Position (Unaudited)

June 30,	2017	2016 <sup>1</sup>
<b>Assets</b>		
Current assets	\$ 177,088,477	\$ 170,711,881
Non-current assets	231,558,447	244,842,118
Electric plant, equipment, and land, net	391,522,130	398,149,277
Construction work in progress	6,760,082	5,827,799
Total assets	806,929,136	819,531,075
<b>Deferred Outflows of Resources</b>	21,248,803	25,240,348
<b>Liabilities</b>		
Current liabilities	77,231,107	64,331,511
Non-current liabilities	7,894,174	5,536,983
Long-term debt, net	432,228,909	459,918,938
Total liabilities	517,354,190	529,787,432
<b>Deferred Inflows of Resources</b>	57,889,439	62,470,566
<b>Net Position</b>	252,934,310	252,513,425

## Statements of Revenue, Expenses, and Changes in Net Position (Unaudited)

	Quarter Ended June 30,		Fiscal-to-Date	
	2017	2016 <sup>1</sup>	2017	2016 <sup>1</sup>
<b>Operating Revenues</b>	\$ 112,413,951	\$ 113,847,456	\$ 224,005,608	\$ 223,297,662
<b>Operating Expenses</b>				
Purchased power	88,666,071	87,816,948	177,565,296	171,298,341
Fuel expense	7,336,320	7,454,778	16,430,654	15,215,161
Operation and maintenance	2,875,295	3,182,512	5,637,668	5,815,090
Customer service and administrative and general	4,983,683	4,681,633	9,960,340	9,260,360
Depreciation and amortization	4,105,401	4,013,935	8,247,985	8,022,615
Taxes	1,780,665	1,729,018	3,545,725	3,457,429
Total operating expenses	109,747,435	108,878,824	221,387,668	213,068,996
<b>Operating Income<sup>2</sup></b>	2,666,516	4,968,632	2,617,940	10,228,666
<b>Non-Operating Revenues (Expenses)</b>				
Investment income	3,148,679	3,207,570	6,221,591	6,442,566
Interest expense	(5,088,017)	(5,062,457)	(10,179,775)	(10,518,847)
Other	(1,338,305)	1,867,262	(4,023,518)	3,460,372
Total non-operating revenues (expenses), net	(3,277,643)	12,375	(7,981,702)	(615,909)
<b>Change in Net Position<sup>2</sup></b>	\$ (611,127)	\$ 4,981,007	\$ (5,363,762)	\$ 9,612,757

<sup>1</sup> Some 2016 amounts were reclassified to conform to the 2017 presentation.

<sup>2</sup> Refer to the Financial Highlights section for more detail.

### WPPI Energy is the power supplier for the following locally owned utilities:

#### WISCONSIN

Algoma  
Black River Falls  
Boscobel  
Brodhead  
Cedarburg  
Columbus  
Cuba City  
Eagle River

Evansville  
Florence  
Hartford  
Hustisford  
Jefferson  
Juneau  
Kaukauna  
Lake Mills  
Lodi

Menasha  
Mount Horeb  
Muscodia  
New Glarus  
New Holstein  
New London  
New Richmond  
Oconomowoc  
Oconto Falls

Plymouth  
Prairie du Sac  
Reedsburg  
Richland Center  
River Falls  
Slinger  
Stoughton  
Sturgeon Bay  
Sun Prairie

Two Rivers  
Waterloo  
Waunakee  
Waupun  
Westby  
Whitehall

#### MICHIGAN

Alger Delta CEA  
Baraga  
Crystal Falls  
Gladstone  
L'Anse  
Negaunee  
Norway

#### IOWA

Independence  
Maquoketa  
Preston