

# FISCAL YEAR 2017

## THIRD QUARTER HIGHLIGHTS



November 14, 2017

### Financial Highlights

In the third quarter of 2017, WPPI Energy's change in net position was \$18,744,561 compared to \$4,054,133 in same quarter last year. This was primarily the result of implementing seasonal wholesale rates. The seasonal rates, which were effective starting January 1, 2017, reflect 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 cost associated with that capacity was generally paid throughout the year. Therefore, the seasonal rates create a mismatch between booked expenses and revenues on a monthly basis. 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 1,352,239 megawatt-hours (MWh) in the third quarter of 2017. This is 70,132 MWh or 4.9% less than the same quarter last year. Total operating revenues for the third quarter were \$145,849,209 or 6.3% higher than the same quarter last year. Total operating expenses for the third quarter were \$123,626,035 or 5.0% lower than the same quarter last year.

### Power Supply Update

WPPI Energy's 20% share of Boswell Unit 4 generated 206,304 MWh at an average capacity factor of 79.9% during the third quarter. This compares to generation of 217,271 MWh and an average capacity factor of 84.15% in the same quarter last year.

WPPI Energy's 8.33% share of the Elm Road Generating Station units generated 175,721 MWh at an average capacity factor of 75.3%. In the same quarter last year, the units generated 197,776 MWh at an average capacity factor of 84.8%. Unit 1 was out of service for 9 days in September to repair tube leaks and Unit 2 was out of service for a total of 25 days during the third quarter to repair tube leaks.

### News Highlights

In August, WPPI Energy and Chicago-based developer Invenergy announced an agreement that advances plans for constructing the 132-megawatt Bishop Hill III Wind Energy Center in Henry County, Illinois. Bishop Hill III is scheduled to begin commercial operation by mid-2018.

WPPI Energy will buy all of the electricity from the facility through mid-2040. Bishop Hill III is projected to be the most cost-effective option currently available to WPPI Energy, and the addition of more wind energy resources will increase the diversity of the organization'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, Michigan's Upper Peninsula and Iowa.

# FINANCIAL STATEMENTS

## Statements of Net Position (Unaudited)

September 30,	2017	2016 <sup>1</sup>
<b>Assets</b>		
Current assets	\$ 167,001,535	\$ 156,380,743
Non-current assets	234,057,272	244,102,691
Electric plant, equipment, and land, net	388,184,028	395,461,069
Construction work in progress	7,858,730	7,384,741
Total assets	797,101,565	803,329,244
<b>Deferred Outflows of Resources</b>		
	20,652,735	24,593,543
<b>Liabilities</b>		
Current liabilities	70,524,071	67,500,079
Non-current liabilities	8,031,909	5,685,303
Long-term debt, net	406,819,818	435,403,771
Total liabilities	485,375,798	508,589,153
<b>Deferred Inflows of Resources</b>		
	60,716,851	62,766,075
<b>Net Position</b>		
	\$ 271,661,651	\$ 256,567,559

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

	Quarter Ended September 30,		Fiscal-to-Date	
	2017	2016 <sup>1</sup>	2017	2016 <sup>1</sup>
<b>Operating Revenues</b>	\$ 145,849,209	\$ 137,256,809	\$ 369,854,817	\$ 360,554,472
<b>Operating Expenses</b>				
Purchased power	100,426,314	107,025,888	277,991,610	278,324,229
Fuel expense	8,968,284	9,301,455	25,398,939	24,516,616
Operation and maintenance	2,891,686	3,110,128	8,529,353	8,925,218
Customer service and administrative and general	5,560,454	5,007,315	15,538,014	14,267,676
Depreciation and amortization	4,023,836	4,006,687	12,271,821	12,029,301
Taxes	1,755,461	1,719,110	5,301,186	5,176,539
Total operating expenses	123,626,035	130,170,583	345,030,923	343,239,579
<b>Operating Income<sup>2</sup></b>	22,223,174	7,086,226	24,823,894	17,314,893
<b>Non-Operating Revenues (Expenses)</b>				
Investment income	3,254,389	2,751,810	9,475,980	9,194,376
Interest expense	(4,814,392)	(5,088,017)	(14,994,167)	(15,606,865)
Other	(1,918,610)	(695,886)	(5,942,128)	2,764,486
Total non-operating revenues (expenses), net	(3,478,613)	(3,032,093)	(11,460,315)	(3,648,003)
<b>Change in Net Position<sup>2</sup></b>	\$ 18,744,561	\$ 4,054,133	\$ 13,363,580	\$ 13,666,890

<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

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

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