

# FISCAL YEAR 2017

## FIRST QUARTER HIGHLIGHTS



May 12, 2017

### Financial Highlights

In the first quarter 2017, change in net position was a loss of \$4,752,635 compared to a gain of \$4,631,750 in the first 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 first quarter, and will see increased revenues and change in net position during 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 1,231,681 megawatt-hours (MWh) in the first quarter of 2017. This is 20,693 MWh or 1.7% less than the same period a year ago. Total operating revenues for the first quarter were \$111,591,657 or 2.0% higher than the same period a year ago. Total operating expenses for the first quarter were \$111,640,499 or 7.2% higher than the same period a year ago. The rise in operating revenues is primarily from increased off-system sales revenues. The increase in operating expenses is driven by higher purchased power and fuel expenses.

### Power Supply Update

WPPI Energy's 20% share of Boswell Unit 4 generated 209,951 megawatt-hours (MWh) of electricity at an average capacity factor of 83.1% during the first quarter. This compares to a generation of 223,148 MWh and an average capacity factor of 87.3% in the first quarter of 2016. Boswell Unit 4 was offline for 37 hours during the quarter for repair of a boiler tube leak. WPPI Energy's 8.33% share of the Elm Road Generating Station units generated 207,394 MWh at an average capacity factor of 90.9%. In the same quarter one year ago, the units generated 166,074 MWh at an average capacity factor of 73.3%.

### News Highlights

In January, WPPI Energy entered into a 20-year solar energy purchase agreement with NextEra Energy Resources. Under the agreement, NextEra will construct a 100-megawatt solar energy center adjacent to the Point Beach Nuclear Plant near Two Rivers, Wis. Starting in 2021, WPPI Energy will purchase all of the facility's output, which will add diversity to its power supply portfolio and be more cost-effective than other opportunities currently available. In addition, the agreement with NextEra will help WPPI Energy continue to reduce emissions.

### 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)

March 31,	2017	2016 <sup>1</sup>
<b>Assets</b>		
Current assets	\$ 163,743,087	\$ 157,599,740
Non-current assets	235,665,473	247,135,873
Electric plant, equipment, and land, net	395,175,616	400,898,378
Construction work in progress	4,904,883	3,871,639
Total assets	799,489,059	809,505,630
<b>Deferred Outflows of Resources</b>		
	21,879,797	18,785,935
<b>Liabilities</b>		
Current liabilities	67,739,453	56,404,906
Non-current liabilities	7,726,575	5,386,246
Long-term debt, net	433,296,858	456,561,043
Total liabilities	508,762,886	518,352,195
<b>Deferred Inflows of Resources</b>		
	59,060,533	62,406,952
<b>Net Position</b>		
	253,545,437	247,532,418

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

Quarter Ended March 31,	2017	2016 <sup>1</sup>
<b>Operating Revenues</b>		
	\$ 111,591,657	\$ 109,450,206
<b>Operating Expenses</b>		
Purchased power	88,899,225	83,481,393
Fuel expense	9,094,334	7,760,382
Operation and maintenance	2,762,372	2,632,579
Customer service and administrative and general	4,976,923	4,578,727
Depreciation and amortization	4,142,585	4,008,680
Taxes	1,765,060	1,728,410
Total operating expenses	111,640,499	104,190,171
<b>Operating Income<sup>2</sup></b>		
	(48,842)	5,260,035
<b>Non-Operating Revenues (Expenses)</b>		
Investment income	3,072,911	3,234,996
Interest expense	(5,091,757)	(5,456,391)
Other	(2,684,947)	1,593,110
Total non-operating revenues (expenses), net	(4,703,793)	(628,285)
<b>Change in Net Position<sup>2</sup></b>		
	\$ (4,752,635)	\$ 4,631,750

<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	Menasha	Plymouth	Two Rivers	MICHIGAN	IOWA
Algoma	Florence	Mount Horeb	Prairie du Sac	Waterloo	Alger Delta CEA	Independence
Black River Falls	Hartford	Muscoda	Reedsburg	Waunakee	Baraga	Maquoketa
Boscobel	Hustisford	New Glarus	Richland Center	Waupun	Crystal Falls	Preston
Brodhead	Jefferson	New Holstein	River Falls	Westby	Gladstone	
Cedarburg	Juneau	New London	Slinger	Whitehall	L'Anse	
Columbus	Kaukauna	New Richmond	Stoughton		Negaunee	
Cuba City	Lake Mills	Oconomowoc	Sturgeon Bay		Norway	
Eagle River	Lodi	Oconto Falls	Sun Prairie			