

Operational Review FY 2011 2nd Quarter

The IMU Board of Trustees annually adopts a Strategic Plan complete with service objectives, operating strategies, and annual goals. Utility operations are divided into departments, all of which work to provide superior services to the citizens of Indianola.

This report provides a brief review of the various departmental activities and accomplishments in FY 2011.

In general, the following definitions apply:

Past Period: 4th quarter report of the prior fiscal year unless otherwise stated

Present:

1st & 2nd Quarters are budgeted amounts or planned activities

3rd Quarter are re-estimated budget amounts and planned activities

4th Quarter is actual results compared to re-estimated budget amounts & planned activities

Outlook: Remainder of fiscal year, next fiscal year, or beyond as stated

- **Change in Status.** The section of this report is a summary of those areas that have seen a major change in status from the previous quarterly report.

Exceeding last quarter's expectations:

- **Water Utility Capital Projects** – Expenditures will be less than expected due to the delay in the street replacement project (was going to replace water mains at the same time). Instead, work on the Hillcrest Water Tower will proceed.

Deterioration in expectations compared to last quarter:

- **None**

- **Financial Performance.** The first graphical condition report is on overall financial performance for each utility. In general, the utility is in a stable financial condition.

Consumption of electricity is relatively at re-estimated budgeted levels. Transmission costs are slightly less than expected, so the gross margin (sales minus wholesale & other marginal costs) is slightly higher than expectations. Operating expenses and debt service costs were slightly less than expected, but very close to budget. Therefore return on assets slightly exceeded expectations. Capital expenditures are adequate given the large projects underway.

Reduced water consumption is impacting the utility's ability to maintain rates in a rising-cost environment. Capital expenditures are expected to increase for both utilities, which again is impacting projected rates. Resources are inadequate to meet long-term main replacement needs.

Reserves are at, and expected to continue to meet, board targets for each utility.

- **Electric Utility.** The electric utility provides reliable service by purchasing wholesale energy for the community as a whole, receiving it over the transmission system, generating electricity within Indianola as needed, and distributing it safely to customers. Significant progress towards implementing operational strategies include:

First Quarter-

- Completed legal work and bidding out the CIPCO 69kV interconnection at the Westside Substation; ordered materials for the project
 - Continued work on the East Side Conversion Project
 - Bid and monitored work on the Fuel Oil Storage Tank Painting Project
 - Began review of Simpson College voltage options for the next underground conversion phase
 - Worked on cost/benefit analysis of landfill gas generation project at the Metro Waste Authority; reviewed and presented ISEPA options (stored energy plant)
 - Reviewed changes to MISO cost and billing methods with MEAN to ensure consistent application of transmission costs & credits across all MEAN participants
 - Reviewed downtown plant capacity options with MEAN; reviewed implications of registering as emergency-only units under new EPA RICE regulations
 - Supported MMTG efforts to reorganize financial processes through IAMU
 - Designed Stephen Ct. underground conversion project and competed McCord Subdivision project
 - Repaired tornado & other storm damage; re-tested East Iowa Substation equipment; sent a crew when Ames called for mutual aid after storms
- *Second Quarter-*
 - Progress made on the Stephen Ct. underground conversion project
 - Monitored progress on the CIPCO 69kV interconnection and East Side Conversion projects
 - Analyzed and expressed interest in the MEAN Landfill Gas project
 - Engaged legal counsel for the CAPX2020 project and reviewed draft agreements
 - Committed to extending service to the Summercrest Hills Development
 - Worked to establish a policy within MEAN to allow IMU to transition generating units that it receives capacity payments so that downtown plants can be registered as emergency-only units

- **Water Utility.** The water utility provides reliable water service by pumping it from wells, treating it, keeping enough in storage to meet daily needs, and distributing it to customers. Significant progress towards implementing operational strategies include:

First Quarter-

- Worked on installing radio read meters
- Repaired several water main breaks
- Continued working with contractor on repainting the Simpson water tower

Second Quarter-

- Continued working with contractor on repainting the Simpson water tower
- Repaired several water main breaks

- **Communications Utility.** The communications utility provides the infrastructure that transmits affordable, competitive, and technologically advanced telecommunications service for both retail and other public uses. Telephone and Internet services are offered to commercial customers through a contractual private/public partnership. Significant progress towards implementing operational strategies include:

First Quarter-

- Began planning for IMU Network Services division as the fiber system is expanded
- Worked with MCG through network design options towards developing a construction cost estimate for the area contained in the East Side electric underground conversion project

Second Quarter-

- Prepared and presented, with MCG, network design options and a preliminary construction cost estimate for the area contained in the East Side electric underground conversion project

- **Administration.** All three utilities are administered by a combination of the IMU Board of Trustees and their staff, services provided by the City of Indianola through cost-sharing arrangements, and third-party contractors.

Public works activities primarily involve co-managing the public right of way. IMU also supports economic development and community betterment activities. Third, there are utility-specific services such as technical activities, safety, and utility programming. Last are the governance and professional services associated with oversight, regulatory actions, general management, human resources, fiduciary controls, public notifications and information systems, and legal compliance & risk management.

Public Works-

First Quarter-

- Worked with City of Indianola officials to enforce ROW ordinances and IMU pole attachment resolutions for poles where IMU has removed electric facilities
- Tree trimming contractor hired with work to be performed in 2nd quarter
- Reviewed and commented on draft of City of Indianola MEC franchise agreement
- P&E Engineering drafting a report for staff on roadway lighting options following the successful test of induction & LED lights on N. “Y” St.

Second Quarter-

Economic Development & Community Betterment-

All Quarters-

- Funded and worked with the Indianola Development Association (IDA) to promote the community and to solicit potential customers through contacts and proposals made by the IDA, Warren County Economic Development Corp., and the Greater Des Moines Partnership

First Quarter-

- New IDA Executive Director hired and started work
- Discussions held about expanding IMU role on Marketing Committee
- Planning meetings held with other city staff to update the city & IMU web site

Technical Services & Programs-

All Quarters-

First Quarter-

- Held the annual Customer Appreciation Day event complete with booths on utility operations, energy efficiency programs, and others
- Finished review of, and declined participation in, the IAMU smart thermostat project
- Performed preliminary research on PEV charging stations
- Worked on easement and water stop box GIS layers
- Completed the Indianola Sustainability Study

Governance and Professional Services-

All Quarters-

- Met with management staff and performed an annual review of the Strategic Plan; implemented and held IMU Performance Committee meetings comprising of management staff, supervisors, crew members, and other administrative staff; met to discuss performance measurements; designed database task tracking system
- Maintained A2 bond rating
- Recognized and rewarded employees for Safety and merit performance
- Eligible employees achieved advancement in the electric apprenticeship program
- Participated in the Employee Insurance Committee with other city departmental staff and facilitator Debbie Dean (Benefit Source, Inc.)
- Employee evaluations performed and direction provided for the coming year
- APPA designation as a Reliable Public Power Provider (RP3)

First Quarter-

- Began drafting revised Water Service Plan and IMU Board Index of Resolutions
- New City of Indianola Director of Finance & Administrative Services hired and began performing duties
- Completed update of 2008 Electric Rate study and adopted new rates
- Water Quality Report issued with required notices
- Completed bi-annual customer survey and reported results
- New digital cable video server equipment purchased and installed at City Hall
- New phone system installed and programmed at IMU