



# MJMEUC

Missouri Joint Municipal Electric Utility Commission

## **PRAIRIE STATE PROJECT POWER PROJECT REVENUE BONDS SERIES 2007, SERIES 2009, & SERIES 2010**

### **CONTINUING DISCLOSURE REPORT**



**FISCAL YEAR ENDING  
December 31, 2011**

**Prepared by:  
Michael J. Loethen, Chief Financial Officer & Director of Administration  
May 30, 2012**

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# MAP OF POWER PURCHASERS

## MISSOURI JOINT MUNICIPAL ELECTRIC UTILITY COMMISSION

### POOL POWER PURCHASERS AND PRAIRIE STATE PROJECT UNIT POWER PURCHASERS



**OFFICER & MANAGEMENT INFORMATION**

**Missouri Joint Municipal  
Electric Utility Commission**

1808 I-70 Drive S.W.  
Columbia, Missouri 65203  
(573) 445-3279

**Officers**

Chair ..... Don Trigg  
Vice Chair..... Rodney Bourne  
Secretary/Treasurer..... Richard Shockley  
Chair, Engineering Committee ..... Robert E. Williams  
Chair, Operating Committee..... Kyle Gibbs  
Chair, Budget & Finance Committee ..... James D. Roach  
Chair, Power Contract/MoPEP Committee ..... Chad Davis  
Member at Large ..... Tad Johnsen  
Immediate Past Chair..... Mark Petty

**Management**

General Manager and Chief Executive Officer ..... Duncan Kincheloe  
Executive Director for Engineering and Operations  
and Chief Operating Officer..... John Grotzinger  
Assistant General Manager..... Eve Lissik  
Chief Financial Officer & Director of Administration ..... Michael J. Loethen

**Bond Counsel**

Gilmore & Bell, P.C.  
Kansas City, Missouri

**Financial Advisor**

McDonald Partners, Inc.  
Alamo, California

**Trustee, Bond Registrar and Paying Agent**

The Bank of New York Trust Company, N.A.  
St. Louis, Missouri

## **INTRODUCTION**

The information contained in this annual CONTINUING DISCLOSURE REPORT (Report) is provided to give an overview of the Prairie State project development and address the continuing disclosure items listed in Appendix G, Section 4 of the Power Project Revenue Bonds (Prairie State Project), Series 2007 A&B, Series 2009 A&B and Series 2010 A&B Official Statements. Under the terms of MJMEUC's CONTINUING DISCLOSURE AGREEMENT, the Report is to be disseminated by its trustee not later than 5 months after the end of each of MJMEUC's fiscal years (currently, by May 31).

### **A. PROJECT FINANCING**

\$549,805,000  
Power Project Revenue Bonds  
(Prairie State Project)

\$521,760,000  
Series 2007A

\$28,045,000  
Series 2007B  
(Federally Taxable)

The Series 2007 Bonds were issued in September 2007 by MJMEUC to finance a portion of the costs of acquiring its approximate 195 megawatt (MW) interest in the Prairie State Energy Campus, a 1,582 MW two-unit coal-fired generating plant and adjacent coal reserve and mine facilities being constructed in Illinois. The Series 2007 Bonds also included the repayment of project interim financing undertaken by MJMEUC, funding of a debt service reserve for the Series 2007 Bonds, funding of certain capitalized interest on the Series 2007 Bonds and to pay costs of issuance of the Series 2007 Bonds.

\$207,920,000  
Power Project Revenue Bonds  
(Prairie State Project)

\$193,720,000 Series 2009A (Federally Taxable Build America Bonds – Direct Pay)	\$14,200,000 Series 2009B (Federally Taxable)
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The Series 2009 Bonds were issued in December 2009 by MJMEUC to finance an additional portion of costs of acquiring its 195 MW undivided interest in the Prairie State Energy Campus. The Series 2009 Bonds also included funding of debt service reserves for the Series 2009 Bonds, funding of certain capitalized interest on the Series 2009 Bonds, funding of a deposit to the Operating Reserve Account and to pay costs of issuance of the Series 2009 Bonds.

\$78,005,000  
Power Project Revenue Bonds  
(Prairie State Project)

\$73,420,000 Series 2010A (Federally Taxable Build America Bonds – Direct Pay)	\$4,585,000 Series 2010B
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The Series 2010 Bonds were issued in December 2010 by MJMEUC to finance an additional portion of costs of acquiring its 195 MW undivided interest in the Prairie State Energy Campus. The Series 2010 Bonds also included funding of debt service reserves for the Series 2010 Bonds, funding of certain capitalized interest on the Series 2010 Bonds, and to pay costs of issuance of the Series 2010 Bonds.

MJMEUC Prairie State Bonds are rated 'A3' by Moody's Investors Service ("Moody's") and 'A-' by Fitch Ratings ("Fitch").

## **B. PROJECT UPDATE REPORT**

### **Background –**

MJMEUC has an undivided ownership interest of approximately 195 MW in a two-unit coal-fired, steam-electric generating station, the Prairie State Energy Campus Project (Project) that includes a coal supply that is expected to fuel MJMEUC's interest for approximately thirty years through this mine-mouth operation currently being constructed in Southwest Illinois. The Project will consist of two supercritical units with a nominal net output capacity of 800 MW each. Project construction began in Fall 2007.

As an equity partner, MJMEUC has a 12.33% ownership interest in the Project and is part of a Prairie State partnership group that also includes American Municipal Power (AMP); Illinois Municipal Electric Agency (IMEA); Indiana Municipal Power Agency (IMPA); Kentucky Municipal Power Agency (KMPA); Northern Illinois Municipal Power Agency (NIMPA); Prairie Power, Inc.; Southern Illinois Power Cooperative (SIPC); and Peabody Energy. This partnership group governs the construction and operation of Prairie State through a non-profit corporation, Prairie State Generating Company, LLC (PSGC). MJMEUC has and continues to actively participate in the progress of the Project, including engineering, procurement and construction, project schedule and project financial standing.

### **Project Construction Update –**

The overall construction progress, including engineering and construction, on the Prairie State project is approximately 99% complete, as of the end of April 2012. PSGC and its contractor, Bechtel Power, negotiated an amended and restated engineering, procurement, construction (EPC) contract in early spring 2010 that provides a lump sum turn-key guaranteed price. The terms of the revised EPC contract specified a Unit 1 completion date of December 2011 and Unit 2 completion date of August 2012, after which liquidated damages are incurred for each day the unit is delayed.

Unit 1 progress suffered delays through 1Q 2012 as Bechtel Power performed startup, testing and evaluation of equipment and systems to both units. Through 1Q 2012, Unit 1 progressed to reaching commercial operation under the delayed scheduled while Unit 2 progress remained ahead of schedule. On March 27, 2012, Unit 2 suffered a failure to one of its induced draft (ID) fans, causing immediate shut down of Unit 2 until the extent of damages and root cause analysis were determined. Unit 1 being of similar design was taken offline on March 28 for precautionary reasons and evaluations.

As a result, similar modifications have or will be made to both Unit 1 and Unit 2. Bechtel, per the EPC, is expediting the ordering and delivery of all the required repair parts and working to minimize schedule impact to Unit 2. Unit 2 is expected to reach commercial operation in late 2012.

Prior to construction, MJMEUC acquired delay in start-up insurance with respect to each of the Prairie State units for a period extending beyond the guaranteed completion of each unit. The relationship of the ID fan failure and this delay in start-up coverage is currently being evaluated.

Unit 1 began its final performance testing on May 2 and alone has generated over a half a million MWhs of net generation year to date. Commercial operation will begin upon successful completion of all tests and final construction work and acceptance of the results by PSGC. Unit 1 could potentially reach commercial operation in Summer 2012. PSGC continues to manage through the issues associated with start up, during which the power plant remains under the care, custody and control of Bechtel Power, PSGC's contractor. Though delays of the above described nature are not uncommon during the startup and testing of large power plant facilities of the size and complexity of 1,600 MW Prairie State Project, PSGC staff continues to aggressively monitor and negotiate through the final stages of the power plant's construction, with particular attention to quality and timing. The consensus of the PSGC participants is to complete testing and optimize the value achieved under the contracts in a prudent manner to ensure that both Units will operate as reliably as possible when released for full scale operation.

MJMEUC is aware that some construction and completion risks remain as well as additional costs related to needed change orders to achieve completion of a high quality, reliable power generation asset. These risk factors do not appear uncommon from MJMEUC's experience with the construction of three other coal-fired generating facilities that have now reached commercial operation. Even with reasonable change order cost increases, MJMEUC believes the Project economics remain competitive and will be a valuable long term base-load resource.

Total Project capital expenditure forecast is approximately \$4,933.6B. PSGC reported as of April 2012 actual paid for project capital expenditures total \$4,779.2B, or approximately 97% of the total Project forecast. MJMEUC's portion of the total Project forecast is approximately \$608 million, including mine construction and 30 years of coal supply. Current construction activities continue to support MJMEUC's expectations for a total busbar cost of \$56 - \$59/MWh for the Prairie State Project.



## **C. MJMEUC 2011 AND 2010 FINANCIAL REPORT**

# Missouri Joint Municipal Electric Utility Commission

## Balance Sheet

**December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
	<i>Unaudited</i>	
<b>ASSETS</b>		
Current Assets	\$ 114,530,890	\$ 127,383,097
Capital Assets	1,259,883,446	1,119,674,699
Other noncurrent assets	199,145,456	308,944,357
Total Assets	\$ 1,573,559,792	\$ 1,556,002,153
<b>LIABILITIES</b>		
Accounts Payable	\$ 15,458,970	\$ 21,195,333
Accrued Liabilities	15,414,487	16,761,009
Long Term Debt	1,480,823,999	1,466,471,290
Accrued Interest Payable	39,296,480	36,763,434
Total Liabilities	1,550,993,936	1,541,191,066
<b>FUND EQUITY</b>		
Fund Equity	(34,661,152)	(44,623,386)
Net Income	57,227,008	59,434,473
Total Fund Equity	22,565,856	14,811,087
Total liabilities and fund equity	\$ 1,573,559,792	\$ 1,556,002,153

The table above presents a summarized financial position and results as of and for the years ended December 31, 2011 and 2010. The financial statements presented above reflect MJMEUC's transition from construction to full-year operations of its Plum Point and Iatan Unit 2 Projects, while continuing to invest in capital assets to meet its members' energy needs and to support its operations.

Current assets decreased by approximately \$12.9 million or 10% in 2011 due primarily to a decrease in accounts receivable and less significantly to a certificate of deposit reclassification to other noncurrent assets and increases in current restricted assets and current inventory. Cash and cash investments increased by approximately \$2 million from reserve account transactions related to the MoPEP fund. Capital assets increased by approximately \$140 million as a result of 2011 Prairie State Project construction expenses and to a lesser degree construction expenses related to the Fredericktown Energy Center project. Overall, the total assets increased by 1.13% in 2011.

In connection with Plum Point and Iatan Unit 2 reaching commercial operation by January 1, 2011, accounts payables decreased by 27% by year end as a result of fewer construction payables. Long-term debt increased approximately \$14 million due to an additional revenue bond issuance in 2011 for the Fredericktown Energy Center. Accrued interest payable increased approximately \$2.5 million and is

attributed entirely to interest payable on combined debt associated with the Plum Point, Iatan Unit 2 and Prairie State projects. Total fund equity increased by 52% over 2010 comparable figures.

**Missouri Joint Municipal Electric Utility Commission**  
**Statement of Revenues, Expenses, and Changes in Equity**  
**Years Ended December 31, 2011 and 2010**

	<b>2011</b>	<b>2010</b>
<b>OPERATING REVENUES</b>	<i>Unaudited</i>	
Power sales and related charges	\$ 254,534,272	\$ 168,003,874
Transmission	7,236,971	6,968,678
Noncapital project cost reimbursements	248,410	642,751
Transfer from MAMU and MGCM	139,301	145,129
Member training program	217,947	184,725
Other	265,922	260,053
Total Operating Revenues	262,642,823	176,205,210
<b>OPERATING EXPENSES</b>		
Power purchases and generation	179,326,770	133,541,062
Member capacity and generation credits	18,863,328	19,521,847
Transmission	15,014,562	12,957,651
Depreciation	12,024,552	2,707,644
General and administration	3,529,806	3,201,386
Future recoverable costs	(3,936,464)	(1,729,611)
Total Operating Expenses	224,822,554	170,199,979
Nonoperating Income Net of Expenses	(30,065,500)	(3,714,701)
Increase in fund equity	7,754,769	2,290,530
Fund equity, beginning of the year	14,811,087	12,520,557
Fund equity, end of the year	\$ 22,565,856	\$ 14,811,087

Approximately 67% of power sales to MJMEUC members was attributed to power sales to its full requirements pool, MoPEP, while 20% relates to generation sales from the Plum Point Energy Station and 13% from Iatan Unit 2 generation sales. Overall, 2011 power sales increased by approximately \$86.53 million in comparison to 2010 as a result of a full operating year of both the Plum Point generating facility and the Iatan Unit 2 facility and a lesser degree to an increase in MoPEP member load demand. MoPEP's MWh requirements of 2011 was 2,602,861 compared to 2,592,340 in 2010.

MJMEUC bills member municipalities monthly for power and energy based on the cost of MJMEUC's power and energy purchases plus a mark-up for associated MJMEUC overhead. Like operating revenues, a full year of Plum Point and Iatan Unit 2 operations significantly impacted operating expenses. The 2011 power purchases increased by 34% compared to 2010. Contributing to the depreciation expense increase were 2011 depreciation expenses for the Plum Point and Iatan Unit 2

generating facilities. Nonoperating income net of expenses increased by approximately \$31.8 million, reflecting the end of capitalized interest periods and start of the collection of bond interest expense related to the Plum Point and Iatan Unit 2 revenue bonds.

MJMEUC's 2011 audited financials are not expected to be released until after the June 7, 2012 MJMEUC Board Meeting.

**D. MISSOURI PUBLIC ENERGY POOL #1 (MOPEP 1) UPDATE**

**MoPEP 1 POWER PURCHASERS(1)  
Peak Loads**

<u>City</u>	<u>2011 Peak Load (MW)<sup>(2)</sup></u>	<u>Percent of Total</u>
Rolla .....	61.00	10.9
Lebanon .....	58.40	10.4
Farmington.....	46.70	8.3
Marshall.....	41.90	7.5
Jackson .....	35.90	6.4
Harrisonville .....	29.00	5.2
Chillicothe .....	26.80	4.8
Trenton .....	19.30	3.4
Macon .....	18.90	3.4
Lamar.....	17.60	3.1
Ava .....	15.10	2.7
St. James .....	15.00	2.7
Higginsville .....	13.80	2.5
El Dorado Springs.....	13.60	2.4
Butler .....	13.40	2.4
Odessa.....	12.70	2.3
Hermann .....	12.10	2.2
Carrollton.....	11.00	2.0
Fredericktown.....	11.00	2.0
Bethany .....	10.40	1.9
Palmyra.....	10.30	1.8
Monroe City.....	8.40	1.5
Shelbina .....	8.00	1.4
Fayette .....	6.30	1.1
Vandalia.....	5.80	1.0
Memphis .....	5.40	1.0
Albany .....	5.20	0.9
Unionville .....	5.20	0.9
Salisbury .....	4.80	0.9
Thayer.....	4.60	0.8
Gallatin .....	4.10	0.7
Rock Port.....	3.10	0.6
La Plata.....	2.80	0.5
Stanberry.....	<u>2.80</u>	<u>0.5</u>
Total.....	560.40	100.00%

Total Pool Power Purchasers Served by  
MoPEP 1 as of December 31, 2011 ..... 34

(1) Service to Waynesville will commence on March 1, 2013. At the time of MoPEP's coincident peak, Waynesville's load was approximately 12.4 MW.

(2) Coincident.

Based on the U.S. Census Bureau population estimates for 2010, the population within the corporate limits of the Pool Power Purchasers (including Waynesville) was approximately 185,400.

**HISTORICAL AND PROJECTED MoPEP LOADS AND RESOURCES<sup>(1)</sup>**  
(MW)

<b>Fiscal Year Ending December 31</b>	<b>Annual Peak Load</b>	<b>Peak Capacity Requirement<sup>(2)</sup></b>	<b>Dedicated Member Capacity</b>	<b>Contract Purchases<sup>(3)</sup></b>	<b>MoPEP 1 Owned Capacity<sup>(4)</sup></b>	<b>Total Capacity</b>	<b>Surplus/ (Deficit)</b>
Historical:							
2007	491	644	463	242	12	717	73
2008	455	518	463	202	12	677	159
2009	476	543	454	203	12	669	126
2010	551	652	453	234	12	699	47
2011	561	645	425	245	62	732	87
Projected:							
2012	563	647	406	234	218	858	211
2013	583	705	305	234	218	757	52
2014	592	716	305	234	218	757	41
2015	601	726	305	234	218	757	31

- (1) Excludes new Members until the respective years in which they become Pool Power Purchasers.
- (2) Includes firm sales and system reserve requirements.
- (3) Includes firm power sales agreements, 57 MW of capacity from NC2 beginning in 2009, 50 MW of capacity from Plum Point Project beginning in 2010 and 3 MW of capacity from the Lamar Project beginning in June 2010.
- (4) The Iatan 2 Project began service in January of 2011. MJMEUC transferred 20 MW of its ownership interest in Plum Point to MoPEP in June 2011. Expected 41MW from unit 1 of the Prairie State Project beginning by summer 2012 with an additional 41 MW from unit 2 of the Prairie State Project by the end of year 2012. The Fredericktown Energy Center is expected to commence service in summer 2012. The Dogwood Generating Facility is currently operational and MJMEUC completed its joint-ownership acquisition in the first quarter of 2012.

**AVERAGE COST OF MoPEP 1 DELIVERED ENERGY**

<b>Year</b>	<b>\$/MWh</b>
2007 .....	60.98
2008 .....	62.24
2009 .....	56.54
2010 .....	51.21
2011 .....	54.33

The table above shows the system average rate for all energy delivered during the last five calendar years. Charges include all costs for capacity, energy, transmission, load monitoring, scheduling, dispatch and ancillary services and all administrative costs for managing MoPEP 1. System average rates include average bill credits for the use of Member Capacity. If MJMEUC did not apply such credits as an offset to MoPEP 1 participants' energy bills, MJMEUC's average cost of delivered energy and annual revenues for MoPEP 1 would be approximately 15 percent higher and MJMEUC's operating expenses for MoPEP 1 would be higher by an equal amount.

**HISTORICAL AND PROJECTED MoPEP 1 ENERGY REQUIREMENTS**

<b>Year</b>	<b>Historical Energy Requirements (MWh)</b>	<b>Year</b>	<b>Projected Energy Requirements (MWh)</b>
2007	2,198,185	2012	2,687,752
2008	2,096,441	2013	2,742,947
2009	2,206,062	2014	2,783,876
2010	2,592,340	2015	2,825,634
2011	2,602,861	2016	2,868,019

**MoPEP 1 MEMBER CAPACITY DEDICATED TO MoPEP 1 THROUGH  
DECEMBER 31, 2011**

<b>Facility</b>	<b>Fuel Type</b>	<b>Capacity (MW)</b>	<b>2010 Capacity Factor</b>
Chillicothe Units 1 & 2	Natural Gas/Oil	80.0	<1.0%
Macon Gas Turbine	Natural Gas	8.5	106.3% <sup>(1)</sup>
Marshall Units 4 & 5	Coal	20.6	15.1%
Other Peaking Units	Natural Gas/Oil	291.9	<1.0%
City of Jackson 10 units	Natural Gas/Oil	24.0	<1.0%
<b>Total Member Capacity .....</b>		<b>425.0</b>	

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(1) The capacity of this unit is based upon a summertime rating, determined with evaporation at 100°F. At lower temperatures, the output of the unit is well above 8.5 MW, and the unit regularly produces 10 MW.



**E. THE LARGE POOL POWER PURCHASERS  
(OFFICIAL STATEMENT - APPENDIX B)**

## THE LARGE POOL POWER PURCHASERS

### GENERAL INFORMATION SUMMARY

	Lebanon	City of Farmington	City of Harrisonville	City of Jackson	City of Marshall	Rolla Municipal Utilities
<b>General</b>						
Year Established	1853	1891	1863	1905	1914	1945
Service Area (sq. Miles)	19	5.2	10.0	13.5	10.5	11.6
Fiscal Year End	* June 30	Sept 30	Dec 31	Dec 31	Sept 30	Sept 30
<b>Peak Load (in MW) &amp; Energy Sales in (MWh)</b>						
<b><u>Fiscal Year 2011</u></b>						
Peak Load - MW	58.4	46.7	29.0	35.90	41.9	61.0
Residential Sales	83,368	80,659	43,897	72,349	51,550	102,908
Commercial Sales	46,080	30,962	5,555	47,470	59,618	52,224
Industrial Sales	142,364	103,452	53,869	20,249	69,193	128,620
Other Sales	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Sales	271,812	215,073	103,321	140,068	180,361	283,752
<b><u>Fiscal Year 2010</u></b>						
Peak Load-MW	58.5	46.4	27.5	39.3	39.5	58.0
Residential Sales	87,200	80,140	44,437	74,235	51,771	104,264
Commercial Sales	48,161	23,686	61,900	46,824	60,746	35,068
Industrial Sales	142,482	103,572	0	20,825	69,349	145,874
Other Sales	<u>0</u>	<u>19,828</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Sales	277,843	227,226	106,337	141,884	181,866	285,206
<b><u>Fiscal Year 2009</u></b>						
Peak Load-MW	55.3	45.4	28.0	31.0	39.4	57.0
Residential Sales	81,254	72,097	40,066	67,144	46,791	95,796
Commercial Sales	54,622	40,875	52,594	43,736	58,513	34,658
Industrial Sales	124,216	105,735	7,346	21,799	68,384	149,232
Other Sales	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Sales	260,092	218,707	100,006	132,679	173,688	279,686
<b>Customer Revenues (in 000's)</b>						
<b><u>Fiscal Year 2011</u></b>						
Residential Sales	N/A	\$7,062	N/A	\$7,274	\$5,710	\$10,298
Commercial Sales		2,958		4,707	6,270	3,206
Industrial Sales		8,287		1,865	5,500	12,911
Other Sales		<u>1,037</u>		<u>0</u>	<u>0</u>	<u>0</u>
Total Sales		\$19,344		\$13,846	\$17,480	\$26,415
<b><u>Fiscal Year 2010</u></b>						
Residential Sales	\$7,601	\$7,001	\$4,890	\$8,374	\$5,606	\$10,345
Commercial Sales	4,440	2,358	6,391	5,169	6,469	3,376
Industrial Sales	11,307	8,377	0	2,231	5,738	12,834
Other Sales	<u>0</u>	<u>1,505</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Sales	\$23,348	\$19,241	\$11,281	\$15,774	\$17,813	\$26,555
<b><u>Fiscal Year 2009</u></b>						
Residential Sales	\$5,846	\$6,342	\$4,616	\$7,684	\$5,226	\$9,673
Commercial Sales	4,226	3,610	738	4,847	5,192	3,341
Industrial Sales	8,216	8,450	5,639	2,297	4,545	13,194
Other Sales	<u>0</u>	<u>354</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Sales	\$18,288	\$18,756	\$10,993	\$14,828	\$14,963	\$26,208

(1) Other category includes City services

\* Lebanon financials reflect 8 months as the city has changed to June Fiscal Year End

**THE LARGE POOL POWER PURCHASERS  
BALANCE SHEET SUMMARY ('000s)**

	<b>Lebanon</b>	<b>City of Farmington</b>	<b>City of Harrisonville</b>	<b>City of Jackson</b>	<b>City of Marshall</b>	<b>Rolla Municipal Utilities</b>
Fiscal Year End	<b>* June 30</b>	<b>Sept 30</b>	<b>Dec 31</b>	<b>Dec 31</b>	<b>Sept 30</b>	<b>Sept 30</b>
<b>Fiscal Year 2011</b>				Unaudited		
Assets:						
Utility Plant, Net	\$0	\$16,580	N/A	\$14,868	\$20,317	\$39,111
Cash and Investments	9,469	5,535		9,894	23,164	23,347
Other Assets	8,865	4,561		914	3,661	2,506
Total Assets	<u>\$18,334</u>	<u>\$26,676</u>		<u>\$25,676</u>	<u>\$47,142</u>	<u>\$64,964</u>
Liabilities and Equity:						
Equity	\$16,894	\$18,329	N/A	\$24,257	\$44,564	\$44,924
Bonds/Leases Payable, Noncurrent	700	5,853		755	0	15,068
Other Liabilities	740	<u>2,494</u>		<u>662</u>	<u>2,578</u>	<u>4,972</u>
Total Liabilities and Equity	<u>\$18,334</u>	<u>\$26,676</u>		<u>\$25,674</u>	<u>\$47,142</u>	<u>\$64,964</u>
<b>Fiscal Year 2010</b>						
Assets:						
Utility Plant, Net	\$0	\$12,303	\$5,610	\$13,872	\$21,903	\$30,985
Cash and Investments	8,713	4,883	2,670	11,575	19,649	28,216
Other Assets	9,758	3,815	2,026	51	3,428	2,578
Total Assets	<u>\$18,471</u>	<u>\$21,001</u>	<u>\$10,306</u>	<u>\$25,498</u>	<u>\$44,980</u>	<u>\$61,779</u>
Liabilities and Equity:						
Equity	\$16,091	\$16,993	\$6,889	\$23,719	\$42,521	\$40,883
Bonds/Leases Payable, Noncurrent	1,330	1,693	1,879	1,120	0	15,765
Contributions in Aid of Construction	0	0	0	659	0	0
Other Liabilities	<u>1,050</u>	<u>2,315</u>	<u>1,538</u>	<u>0</u>	<u>2,459</u>	<u>5,131</u>
Total Liabilities and Equity	<u>\$18,471</u>	<u>\$21,001</u>	<u>\$10,306</u>	<u>\$25,498</u>	<u>\$44,980</u>	<u>\$61,779</u>
<b>Fiscal Year 2009</b>						
Assets:						
Utility Plant, Net	\$0	\$12,346	\$5,347	\$13,856	\$21,384	\$27,890
Cash and Investments	6,542	3,780	2,542	10,374	17,677	28,208
Other Assets	9,988	<u>3,524</u>	<u>2,106</u>	<u>63</u>	<u>4,466</u>	<u>2,548</u>
Total Assets	<u>\$16,530</u>	<u>19,650</u>	<u>\$9,995</u>	<u>\$24,293</u>	<u>43,527</u>	<u>58,646</u>
Liabilities and Equity:						
Equity	\$13,906	\$15,408	\$6,382	\$22,186	\$40,989	\$37,359
Bonds/Leases Payable, Noncurrent	1,975	2,046	2,053	1,485	0	16,440
Other Liabilities	<u>649</u>	<u>2,196</u>	<u>1,560</u>	<u>622</u>	<u>2,538</u>	<u>4,847</u>
Total Liabilities and Equity	<u>\$16,530</u>	<u>\$19,650</u>	<u>\$9,995</u>	<u>\$24,293</u>	<u>\$43,527</u>	<u>\$58,646</u>

\* Lebanon financials reflect 8 months as the city has changed to June Fiscal Year End

**THE LARGE POOL POWER PURCHASERS  
INCOME SHEET SUMMARY ('000s)**

	Lebanon	City of Farmington	City of Harrisonville	City of Jackson	City of Marshall	Rolla Municipal Utilities
Fiscal Year End	* June 30	Sept 30	Dec 31	Dec 31	Sept 30	Sept 30
<b><u>Fiscal Year 2011</u></b>				Unaudited		
Customer Revenues	\$15,341	\$19,344	N/A	\$14,339	\$20,809	\$30,113
Other Revenues	387	1,834		192	240	732
Total Revenues	\$15,728	\$21,178		\$14,531	\$21,049	\$30,845
Purchased Power Expense	13,652	17,890		11,290	10,953	18,779
Other Operating Expense	821	1,233		1,308	4,739	4,970
Total Operating Expenses	\$14,473	\$19,123		\$12,598	\$15,692	\$23,749
Net Revenues	\$1,255	\$2,055		\$1,933	\$5,357	\$7,096
Depreciation, Amortization	0	719		622	1,612	2,501
Transfers Out to City	452	0		837	1,703	0
Other non-Operating Expenses	0	0		85	0	554
Extraordinary Item	0	0		0	0	0
Net Income	\$803	\$1,336		389	\$2,042	\$4,041
Debt Service/Capital Lease	\$630	\$440		\$433	\$0	\$1,229
Debt Service Coverage	1.99	4.67		4.47	0.00	5.77
<b><u>Fiscal Year 2010</u></b>						
Customer Revenues	\$23,482	\$19,502	\$11,530	\$15,167	\$21,295	\$30,110
Other Revenues	642	1,551	6	175	286	492
Total Revenues	\$24,124	\$21,053	\$11,536	\$15,342	\$21,581	\$30,602
Purchased Power Expense	\$19,944	\$17,706	\$7,922	\$10,988	\$11,164	\$19,596
Other Operating Expense	1,539	1,068	2,724	1,501	4,882	4,914
Total Operating Expenses	\$21,483	\$18,774	\$10,646	\$12,489	\$16,046	\$24,510
Net Revenues	\$2,641	\$2,279	\$890	\$2,853	\$5,535	\$6,092
Depreciation, Amortization	\$0	\$684	284	\$601	\$1,903	\$2,053
Transfers Out/(In)	456	(73)	0	638	1,749	0
Other non-Operating Expenses	0	83	100	81	350	516
Extraordinary Item	0	0	0	0	0	0
Net Income	\$2,185	\$1,585	\$506	\$1,533	\$1,533	\$3,523
Debt Service/Capital Lease	\$679	\$416	\$270	\$431	\$0	\$1,631
Debt Service Coverage	3.89	5.48	3.30	6.62	0.00	3.74
<b><u>Fiscal Year 2009</u></b>						
Customer Revenues	\$18,540	\$18,756	\$11,355	\$14,484	\$21,700	\$29,551
Other Revenues	1,112	1,385	15	345	620	606
Total Revenues	\$19,652	\$20,141	\$11,370	\$14,829	\$22,320	30,157
Purchased Power Expense	18,113	17,926	7,923	10,720	12,121	20,135
Other Operating Expense	1,191	872	2,496	1,068	5,064	4,750
Total Operating Expenses	\$19,304	\$18,798	\$10,419	\$11,788	\$17,185	24,885
Net Revenues	\$348	\$1,343	\$951	\$3,041	\$5,135	\$5,272
Depreciation, Amortization	0	686	294	590	1,953	1,918
Transfers Out/(In)	1,706	(124)	0	791	1,682	0
Other non-Operating Expenses	315	97	108	94	(150)	482
Extraordinary Item	0	0	0	0	0	0
Net Income	(\$1,673)	\$684	\$549	\$1,566	1,650	\$2,872
Debt Service/Capital Lease	\$687	\$414	\$267	\$431	\$0	\$1,319
Debt Service Coverage	0.51	3.24	3.56	7.06	N/A	4.0

\* Lebanon financials reflect 8 months as the city has changed to June Fiscal Year End

**THE LARGE POOL POWER PURCHASERS**  
**Top Ten Customers by Revenue**

<b>Customer</b>	<b>Industry</b>	<b>% of Revenues</b>
<b><i>Lebanon – 2011</i></b>		
Copeland	Manufacturer AC Compressors	12.7%
Independent Stave Company	Manufacturer Oak Barrels	5.6%
Detroit Tool Metal Products	Manufacturer Metal Stamper	3.3%
Marathon Electric	Manufacturer Electric Motors	2.7%
St. John/ Breech Medical Ctr	Medical Hospital	2.5%
County Courthouse	Government	1.9%
Wal-Mart	Retail	1.8%
Detroit Tool Metal Products	Manufacturing Tool & Die	1.4%
City of Lebanon	Government	1.1%
Lowe's	Retail	1.0%
<b><i>Farmington – 2011</i></b>		
SR Automotive Products	Automotive	11.2%
BJC Parkland Med.	Health Services	3.3%
Mineral Area Regional	Medical Center	3.0%
Farmington R-7 Schools	Education	2.5%
Wal-Mart Super Center	Retail	2.2%
Lowe's Home Center	Retail	1.0%
Country Mart	Retail	0.9%
The Molding Company-Forte	Manufacturing - Plastics	0.9%
Little Tikes Commercial	Manufacturing – Recreation	0.8%
St. Francois Manor	Health Services	0.6%
<b><i>Harrisonville – 2011</i></b>		
Cass Regional Medical Center	Healthcare	4.4%
Wal-Mart Stores	Retailer	4.1%
Four B Corporation	Retailer	3.0%
Aptuit LLC	Pharmaceutical Mfg	2.2%
City of Harrisonville	Government	1.4%
City of Harrisonville - Community Center	Recreational	1.2%
Sutherlands	Retailer	1.1%
Cass County Justice Center	Government	1.1%
Cass R-IV School – Middle	Education	1.0%
Cass R-IV School – High School	Education	0.9%
<b><i>Jackson – 2011</i></b>		
Rubbermaid	Closet Organization Products	8.5%
Jackson R-2 Schools	Education	5.2%
American Rail car	Railroad car industry	2.9%
Wal-Mart	Retail	1.9%
Midwest Sterilization	Processing	1.6%
Cape Girardeau County	Government	1.5%
Country Mart	Grocery Retail	1.3%
NLC, Inc.	Manufacturer electrical	1.3%
DCO International	Recycling	0.9%
Signature Packaging	Packaging manufacturer	0.6%

<b>Customer</b>	<b>Industry</b>	<b>% of Revenues</b>
<b><i>Marshall – 2011</i></b>		
Con Agra	Food Packaging Mfg	19.5%
Excel	Food Packaging Mfg	6.4%
State of MO	Government	2.4%
Fitzgibbon Hospital	Hospital	2.5%
Wal-Mart	Retail	1.9%
MMU Wastewater	Government	1.8%
Americold Logistics	Refrigeration Plant	1.7%
MMU Water	Government	1.6%
Marshall Egg Products	Agriculture - Dry Egg Production	1.1%
Jerden Foods	Grocery retail	1.0%
<b><i>Rolla – 2011</i></b>		
Missouri – S & T – Physical Facilities	Educational	11.2%
Phelps County Regional Medical Center	Medical	5.9%
Rolla Public Schools	Educational	2.4%
City of Rolla	Local Government	2.2%
Brewer Science	Research & Development	2.9%
Wal-Mart Store 01-101	Retail	1.8%
Mercy Clinic	Medical	1.7%
Missouri S & T –Student Affairs	Educational	1.6%
Rolla Municipal Utilities	Local Government	1.3%
GSA	Federal Government	0.9%

**F. LARGE UNIT POWER PURCHASERS UPDATE  
(OFFICIAL STATEMENT - APPENDIX C)**

## **CITY OF COLUMBIA MISSOURI**

15 N. Seventh Street  
Columbia, MO 65205  
874-7325

### **Organization**

The City of Columbia, Missouri (the “City”) was incorporated in 1826 and became a Constitutional Charter City in 1949. The City is located near the center of the state, and is joined by interstate with Kansas City, Missouri, to the west and St. Louis, Missouri, to the east. The City is located in Boone County. The City’s utility is Columbia Water & Light (“CWLD”), which was formed in 1904. The City is home to the University of Missouri, Columbia College and Stephens College.

The City is organized under the laws of the State of Missouri and operates under a Constitutional Charter approved by the citizenry in 1949. The City is governed according to a Council–Manager form of government. The Mayor and six council members are elected by the citizens of Columbia for three years with staggered terms of service. The City Council appoints a City Manager to implement its policies and direct operations of City departments, including CWLD.

All decisions concerning CWLD are made by the City Council. Recommendations are made to the Council by the Water and Light Advisory Board (the “Board”). The Board is a five member advisory board created by the City Charter. Board members serve overlapping four year terms. The Board’s powers and duties are solely advisory. The Board performs duties according to the City Charter and Code of Ordinances of the City of Columbia, Missouri, and reports its findings and recommendations at least annually to the residents of Columbia and the City Council.

### **Service Territory, Transmission and Distribution System**

CWLD serves retail customers inside and outside the limits of the City. The City limits consist of a 60 square mile area. CWLD serves over 46,000 retail customers for both electric and water service.

CWLD’s transmission system is comprised of approximately 70 miles of 161 kV lines and 69 kV lines. CWLD’s transmission system is interconnected to transmission facilities owned by Associated Electric Cooperative, Ameren, City of Fulton, and the University of Missouri.

As of September 30, 2011, CWLD’s distribution system consisted of approximately 792 circuit miles of overhead and underground lines. The City maintains nine distribution substations.

### **Power Supply**

The City provides power and energy to its customers from a combination of owned generating resources and purchased power. See “Operating Statistics” below for certain historical information regarding CWLD’s demand and energy requirements.

CWLD owns and operates the Columbia Municipal Power Plant which has two coal boilers, one natural gas boiler and one gas turbine. The plant has a net rated capacity of 86 MW and the last unit was placed in service in 1970. The plant is used primarily for load following and contributed approximately 8% of system energy during the previous year.



CWLD also owns nine distributed generators, totaling 12.5MW, located at five customer sites around Columbia. The generation, which runs on diesel oil, was installed primarily for reliability and peaking purposes. The customers pay a monthly standby power charge. CWLD also owns 2MW of landfill gas generation. This facility began operation in June 2009. The facility was built to allow the addition of another 2MW of generation as the landfill gas supply develops. In 2010, CWLD purchased a 25% (36 MW) interest in the 144 MW natural gas fired Columbia Energy Center peaking facility. Columbia purchased the remaining 75% of Columbia Energy Center in May 2011.

The majority of CWLD’s energy is purchased from market participants under long-term contracts. The City has long term purchase agreements in place with the City of Sikeston, Missouri, the Kansas City, Kansas, Board of Public Utilities, Associated Electric Cooperative and Ameresco. The amount and term of these contracts is as follows:

**Columbia Water & Power  
Long Term Power Supply Contracts**

	<i>Capacity (MW)</i>	<i>Contract Expiration</i>
City of Sikeston, Missouri	66	Plant Life
Kansas City, Kansas, Board of Public Utilities	20	May 2013
MJMEUC – Iatan	20	Plant Life
Associated Electric Cooperative (Wind)	6.3	20 Years
Ameresco	3	20 Years
NextEra (Wind)	21	20 Years

CWLD is obligated to purchase approximately 50 MW of MJMEUC’s interest in the Prairie State Project under a long-term take-or-pay contract. CWLD expects to arrange additional power supply contracts to provide sufficient capacity and energy to meet customer loads for the foreseeable future.

The City has contracted with The Energy Authority (“TEA”) to act as the MISO market participant for the City. All purchased power arrangements are handled by TEA, with prior approval by the CWLD. In addition, the CWLD has contracted with TEA for power supply risk management services. CWLD’s portfolio is modeled and monthly status updates are held to review current status and future options.

**Environmental and Regulatory Factors**

The Columbia Municipal Power Plant has the capability to burn coal, gas, oil and wood. Low sulfur coal is used to reduce air emissions. Other measures have also been installed at the plant to accurately measure and reduce air emissions. The system is in full compliance with air quality standards set forth by the Missouri Air Conservation Commission and approved by the Federal Environmental Protection Agency. During 2008, CWLD received a temporary permit to test burn wood as a fuel source. Missouri Department of Natural Resources subsequently informed CWLD that no further permitting would be required in order to continue burning wood as a fuel source.

**Projected Capital Additions**

Current estimates indicate that CWLD will invest up to \$69 million in capital improvements over the next 5 years. Planned capital improvements include additions to the transmission system; additions to

the landfill gas plant; and improvements and updates to the distribution system. CWLD expects to finance the improvements with a combination of cash from operations, and a bond election in 2014.

**Electric Rates**

The City Council has sole authority to establish electric rates. The City reviews these rates and charges annually. The City Council has also granted CWLD the authority to automatically adjust energy rates included in its electric class rate schedules in accordance with a fuel adjustment rider (the “Fuel Adjustment Rider”).

As provided in its bond indentures, the City covenants to charge and collect rates for the electric power and energy supplied by CWLD’s electric system as shall be required to provide the greater of (i) net revenues sufficient to cover 110% of CWLD’s aggregate debt service, or (ii) revenues and income sufficient to pay operating expenses, 100% of aggregate debt service on all bonds of the City and any other charges required to be paid out of revenues of CWLD’s electric system. Other charges to be paid out of revenues are generally defined by the City to include payments of in lieu of taxes to the City, capital improvements and replacements that are not bond financed and system working capital requirements. In addition, the City covenants to review the sufficiency of its rates for electric service annually.

In September 2010, the City Council approved average rate increases of 2.0% effective October 1, 2010. Rates have not been changed since then. While CWLD has the authority to use a Fuel Adjustment Rider, every effort is made to maintain a zero fuel adjustment. The last time the Fuel Adjustment Rider was utilized was for three months in the summer of 2004.

The City’s electric service rate schedules are designed to encourage energy conservation and the efficient use of energy. All customer classes are subject to seasonal rates that increase during peak summer months.

**Energy Sales and Customer Information**

With the exception of 2008 and 2009, the City continues to experience growth in its energy requirements. Both summers were some of the mildest on record. Due to the national economic situation, CWLD’s customer growth has slowed from a 3%-4% annual growth to a 1%-2% growth. Forecasts of peak loads and annual energy requirements have been adjusted. CWLD is in the process of updating an Integrated Resource Plan (“IRP”) that was completed in 2007.

**Historical Peak Load and Energy Sales  
Fiscal Year Ending September 30**

	<b>Peak Load (in MW)</b>	<b>Total Energy Sold (MWh)</b>
2004	240	1,037,604
2005	257	1,080,407
2006	272	1,114,473
2007	265	1,143,910
2008	257	1,126,418
2009	250	1,081,978
2010	265	1,142,702
2011	277	1,141,321

CWLD's service area is primarily residential in nature. As of September 30, 2011, 86.2% of CWLDs customers were residential, 13.7% were commercial and less than 1% were industrial or other classifications.

**Customers by Class  
Fiscal Year Ending September 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Average Number of Customers:			
Residential	38,793	39,024	39,350
Commercial	6,115	6,171	6,257
Industrial	<u>32</u>	<u>30</u>	<u>30</u>
Total Customers:	44,940	45,225	45,637

CWLD's sales are dispersed among all customer classes. As of September 30, 2011, 36.8% of CWLD's energy sales were made to residential customers, 40.9% were made to commercial customers and 22.3% were attributable to industrial and other customers. Large commercial and industrial customers represent the full spectrum of CWLD's business. Food processing, electronics, car parts, insurance, and health care represent major areas of the large customer base.

**Energy Sales (MWh) by Class  
Fiscal Year Ending September 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	384,518	425,702	420,560
Commercial	448,242	468,691	467,145
Industrial	<u>249,217</u>	<u>248,309</u>	<u>253,616</u>
Total Retail Sales (MWh)	1,081,977	1,142,702	1,141,321

As of September 30, 2011, 42.6% of CWLD's revenues from the sale of energy were made to residential customers, 39.9% were made to commercial customers and 17.5% were attributable to industrial and other customers.

**Energy Revenues by Class  
Fiscal Year Ending September 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	\$ 40,259,530	47,729,009	44,921,110
Commercial	41,400,295	44,694,810	42,669,263
Industrial	<u>19,091,055</u>	<u>19,526,553</u>	<u>19,060,249</u>
Total Retail Sales	\$100,750,880	\$111,950,372	\$106,650,622

**Regional Transmission Organization ("RTO")**

CWLD became a member of MISO in 2005. CWLD is a Transmission Owner ("TO") and has contracted with TEA for market participant services. CWLD receives revenue as a TO and by selling energy in the market when not needed for local requirements. CWLD has 86MW's of life-of-plant coal

generation in the SPP RTO. SPP market prices have historically been higher than MISO market prices. With the assistance of TEA, CWLD has been able to sell SPP resources at a very favorable margin. CWLD only participates in low-risk transactions. TEA also provides energy risk management services for CWLD. CWLD's portfolio is modeled and monthly telephone status update meetings are held to assess current and long-term positions. Energy sales are from existing supplies that are not needed for native load and benefit CWLD's customers by mitigating rate changes.

**Revenues from RTO Transactions  
Fiscal Year Ending September 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Energy Revenues	\$5,940,915	\$5,364,906	\$8,480,462
Transmission Revenues	<u>2,565,070</u>	<u>1,620,718</u>	<u>1,849,181</u>
Total RTO Revenues	\$8,505,985	\$6,985,624	\$10,329,643

**Financial Condition**

The following Condensed Balance Sheet and Condensed Statement of Operations for the last fiscal year has been prepared by CWLD based upon unaudited financial statements. Copies of the City's audited financial statements may be obtained from City of Columbia, Finance Department, P. O. Box 6015, Columbia, MO 65205 or on the web at [www.gocolumbiamo.com](http://www.gocolumbiamo.com).

**Columbia Water & Light  
Condensed Balance Sheet  
Fiscal Year Ending September 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Assets:</u>			
Net Plant in Service	\$197,107,127	\$217,346,086	259,189,027
Cash and Marketable Securities	43,938,121	27,978,533	32,749,841
Other Assets	<u>99,614,820</u>	<u>97,777,044</u>	<u>127,421,635</u>
Total Assets	\$340,660,068	\$343,101,663	\$419,360,503
<u>Liabilities and Equity :</u>			
Retained Earnings	\$175,165,489	180,482,700	189,933,900
Revenue Bonds Payable, Noncurrent	143,930,599	139,201,611	207,170,405
Current Liabilities from Restricted	10,400,304	11,280,667	13,429,473
Current Liabilities	<u>11,163,676</u>	<u>12,136,685</u>	<u>8,826,725</u>
Total Liabilities and Retained Earnings	\$340,660,068	\$343,101,663	\$419,360,503

**Columbia Water & Light  
Condensed Statement of Operations  
Fiscal Year Ending September 30**

	<b>2009</b>	<b>2010</b>	<b>2011</b>
<u>Revenues</u>			
Sale of Electricity Retail	\$101,408,819	\$112,259,981	\$115,679,948
Other Revenues <sup>(1)</sup>	<u>29,866,960</u>	<u>32,705,985</u>	<u>35,891,623</u>
Total Revenues	\$131,275,779	\$144,965,966	\$151,571,571
<u>Operating Expenses</u>			
Fuel and Purchased Power	\$66,517,782	\$73,284,556	\$72,363,863
Other Electric Production Expenses	4,406,956	4,506,466	5,852,005
Electric Distribution & Transmission	10,092,812	11,368,196	11,826,102
Other Operating Expenses <sup>(2)</sup>	<u>16,288,912</u>	<u>15,801,134</u>	<u>17,772,028</u>
Total Operating Expenses	\$97,295,462	\$104,960,352	\$107,813,998
<u>Other Expenses</u>			
Depreciation	\$10,324,043	\$10,997,082	\$12,367,555
Interest Expense	5,940,890	6,384,864	7,307,055
Other	<u>11,292,823</u>	<u>12,798,100</u>	<u>17,118,514</u>
Total Other Expenses	\$27,557,756	\$30,179,996	\$36,793,124
Contributed Capital	\$268,382	\$327,405	\$174,619
Net Earnings	\$6,690,943	\$10,153,023	\$7,139,068

<sup>(1)</sup> Does not include unrealized gains.

<sup>(2)</sup> Includes operating revenues or expenses associated with the operation of the City's water system

**Columbia Water & Light  
Net Revenues Available for Debt Service<sup>(1)</sup>  
Fiscal Year Ending September 30**

	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
Total Gross Revenue	\$131,275,779	\$144,965,966	151,571,571
Operating Expenses	<u>(97,295,462)</u>	<u>(104,960,352)</u>	<u>(107,813,998)</u>
Net Revenue Available for Coverage	\$ 33,980,317	\$ 40,005,614	\$ 43,757,573
Principal and Interest Payments	\$10,000,758	\$10,404,864	\$11,482,055
Debt Service Coverage	3.4	3.8	3.8

<sup>(1)</sup> Calculation may differ from specifics of City ordinances.

**Litigation**

There is no material pending litigation relating to CWLD or its operations.

## **CITY OF KIRKWOOD MISSOURI**

139 South Kirkwood Road  
Kirkwood, Missouri 63122  
314-822-5806  
[www.ci.kirkwood.mo.us](http://www.ci.kirkwood.mo.us)

### **Organization**

The City of Kirkwood, Missouri (the “City”) was the first planned suburban residential area west of the Mississippi River. The City is located in St. Louis County, approximately 14 miles west of the City of St. Louis. The City covers approximately 9.1 square miles and is bounded by Interstate 44 on its southern boundary and traversed by Interstate 270 near its western boundary. Together, the interstate highways provide excellent access to all parts of the St. Louis metropolitan area. The City has a diverse economic base, which includes several large retailers, limited industries, and many small specialty shops.

The City was established in 1853, incorporated in 1865, re-incorporated as a fourth class city in 1899, and as a third class city in 1930. In 1984, the City became a home rule city as permitted under a 1971 amendment to the Missouri Constitution. The City is governed according to a Council–Manager form of government which places legislative and policy-making authority in the city council, which includes the Mayor, and the administrative authority in a Chief Administrative Officer (the “City Council”). The Mayor and six council members are elected by the citizens of Kirkwood. Other than the Mayor, three council seats are filled every two years on a rotating basis. The Mayor is elected from the city at large for a term of four years.

The Mayor is the official representative of the city, presides over meetings of the City Council, and leads the annual review of the Chief Administrative Officer. The City Council appoints a Chief Administrative Officer to implement its policies and direct operations of City departments. All decisions concerning the Electric Department are made by the City Council. Recommendations are made to the Council by the Chief Administrative Officer.

### **Service Territory, Transmission and Distribution System**

Kirkwood serves retail customers in approximately two thirds of the City. The remainder of the City’s residents and business receive service from Ameren Missouri. The City limits consist of a 9.1 square mile area. Kirkwood serves just over 10,000 retail customers for electric service.

As of March 31, 2011, the City’s distribution system consisted of approximately 132 circuit miles of overhead and underground lines. The City maintains six distribution substations. The City’s distribution system is interconnected to transmission facilities owned by Ameren Missouri.

### **Power Supply**

The City currently purchases energy and capacity at very favorable rates under new agreements with Ameren Missouri, Ameren Illinois, American Electric Power, and the Midwest Independent Systems Operator. These contracts will supplement the City’s purchase of capacity and energy from the Prairie State Project. The City performs its own scheduling and load forecasting services to round out its power portfolio. The transition from full requirements contracts to partial requirements and market participation has enabled the City to rebuild its reserve fund to one year’s worth of operating expenses.

## Projected Capital Additions

Current estimates indicate that the City will invest up to \$3.8 million in capital improvements over the next 5 years. A majority of the capital improvements will be dedicated to improving and updating the distribution system. The City will fund the improvements with available cash on hand.

## Electric Rates

The City Council has sole authority to establish electric rates. The City reviews these rates as needed and the City Council has the authority by ordinance to adjust the energy rate included in its electric rate schedules in accordance with recommendations by the Chief Administrative Officer. The City has historically charged the same rates for electric service as Ameren Missouri but has now implemented a power supply cost recovery factor that allows the City to adjust its rates as needed to maintain a predetermined target of reserve funds by the end of fiscal year 2015 of at least one year's worth of operating expenses. Electric rates were most recently changed in June of 2010 when the City Council approved an overall base rate increase of 24% effective in July of 2010. Additional rate increases are projected annually for the next four years to keep pace with Ameren Missouri. Kirkwood Electric intends to increase rates this winter as a result of a both a 3% energy efficiency rate increase and a 14% base rate increase case filed by Ameren Missouri this year. Both cases are expected to be adjudicated by the Missouri Public Service Commission by December of 2012.

## Energy Sales and Customer Information

Record high temperatures for fiscal year 2011 coupled with the previous year's rate increase produced sales just shy of \$20M. Since Kirkwood's load is almost exclusively residential and affluent, its load has not been significantly affected by the downturn in the economy and continues to exceed the 225 GWh mark. Delinquent account write-offs continue to be less than 1% of billing and FY12 sales in combination with reduced energy market prices have enabled the department's revenues to exceed its expenditures.

### Historical Peak Load and Energy Sales Fiscal Year Ending March 31

	<b>Peak Load (in MW)</b>	<b>Total Energy Sold (MWh)</b>
2006	63.2	225,157
2007	66.0	222,307
2008	62.0	234,456
2009	60.1	222,866
2010	58.0	204,765
2011	61.0	234,290

Kirkwood's service area is primarily residential in nature. As of March 31, 2011, 86.7% of the City's customers were residential and 13.3% were commercial.

**Customers by Class  
Fiscal Year Ending March 31**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Average Number of Customers:			
Residential	8,683	8,948	8,804
Commercial	<u>1,365</u>	<u>1,405</u>	<u>1,349</u>
Total Customers:	10,048	10,353	10,153

The City's sales are fairly evenly dispersed among residential and commercial customer classes. As of March 31, 2011, 47% of City's energy sales were made to residential customers and 53% were made to commercial customers. Commercial customers represent a full spectrum of business. Education, health care and retail represent major areas of the large customer base.

**Energy Sales (MWh) by Class  
Fiscal Year Ending March 31**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	97,988	96,092	114,458
Commercial	<u>124,878</u>	<u>108,673</u>	<u>119,832</u>
Total Retail Sales	222,866	204,765	234,290

As of March 31, 2010, 48.8% of City's revenues from the sale of energy were made to residential customers and 51.2% were made to commercial customers.

**Energy Revenues by Class  
Fiscal Year Ending March 31**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	\$ 6,062,517	\$ 6,462,187	\$ 9,552,321
Commercial	<u>7,726,202</u>	<u>7,308,259</u>	<u>10,000,834</u>
Total Retail Sales	\$13,788,719	\$13,770,446	\$19,553,155

**Financial Condition**

The following Condensed Balance Sheet and Condensed Statement of Operations for the last three fiscal years have been prepared by Kirkwood based upon audited financial statements. Copies of the City's audited financial statements may be obtained from City of Kirkwood, Finance Department, 139 South Kirkwood Road, Kirkwood, MO 63122 or on the web at [www.Kirkwoodmo.org](http://www.Kirkwoodmo.org) under the Finance Department link.



**City of Kirkwood Electric Enterprise  
Condensed Balance Sheet  
Fiscal Year Ending March 31**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Assets:</u>			
Utility Plant, Net	\$ 3,853,066	\$ 3,668,746	\$5,344,499
Cash and Investments	25,397,402	16,820,358	\$10,873,219
Other Assets	<u>1,377,272</u>	<u>2,166,006</u>	<u>\$2,832,918</u>
Total Assets	\$30,627,740	\$22,655,110	\$19,050,636
 <u>Liabilities and Equity :</u>			
Equity	\$28,940,168	\$21,002,362	\$17,136,693
Other Liabilities	<u>1,687,572</u>	<u>1,652,748</u>	<u>\$1,913,943</u>
Total Liabilities and Equity	\$30,627,740	\$22,655,110	\$19,050,636

**City of Kirkwood Electric Enterprise  
Condensed Statement of Operations  
Fiscal Year Ending March 31**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Revenues</u>			
Sale of Electricity Retail	\$13,796,298	\$13,831,740	\$19,553,155
Other Revenues	<u>1,271,155</u>	<u>864,766</u>	<u>689,584</u>
Total Revenues	\$15,067,453	\$14,696,506	\$20,242,739
 <u>Operating Expenses</u>			
Purchased Power	\$11,063,039	\$ 18,154,624	\$19,135,833
Distribution & Customer Care	1,868,755	1,852,726	\$1,990,921
Administrative and General	<u>1,800,716</u>	<u>1,485,655</u>	<u>\$1,210,673</u>
Total Operating Expenses	\$14,732,510	\$21,493,005	\$22,337,427
 <u>Other Expenses</u>			
Depreciation	\$ 353,133	\$ 341,307	\$308,502
Other / Transfers	<u>2,200,000</u>	<u>800,000</u>	<u>\$1,125,000</u>
Total Other Expenses	\$2,553,133	\$1,141,307	\$1,433,502
 Net Earnings	 (\$2,218,190)	 (\$7,937,806)	 (\$3,528,190)

**Net Revenues Available for Debt Service**

The City has no long-term debt outstanding.

**Litigation**

There is no material pending litigation relating to the City or its operations.

## **CITY OF HANNIBAL MISSOURI**

320 Broadway  
Hannibal, MO 63401  
573-221-0111

email: [cityhall@hannibal-mo.gov](mailto:cityhall@hannibal-mo.gov)

### **Organization**

The City of Hannibal, Missouri (the “City”) was founded in 1819 and became chartered as a city in 1845. The City is located 116 miles northwest of St. Louis in Marion County along the Mississippi River’s west bank. The city and adjacent area comprise an area over 14 square miles and contain approximately two-thirds of the Marion County population and a portion of Ralls County. The city and surrounding area population is over 20,000, and over 176,000 people live within a radius of fifty miles.

The City is organized under the laws of the State of Missouri and operates under a Constitutional Charter approved by the citizenry in 1845. The City is governed according to a Council–Manager form of government. The Mayor and six council members are elected by the citizens of Hannibal for 3 years with staggered terms of service. The City Council appoints a City Manager to implement its policies and direct operations of City departments.

The Board of Public Works (the “BPW”) is an executive department of the City under the City Charter. The City Charter grants the Board all management, supervision and control of the City’s electric, water, wastewater treatment, collection and artificial underground stormwater collection systems. The BPW was formed in 1903 and is governed by four Board Members who are appointed for a four-year term by the City Manager, subject to confirmation by the City Council, with one member appointed each year. The Board has the exclusive power to establish rates and provide for the assessment and collection of charges for the City’s municipal utilities. The Board has delegated responsibility for the day-to-day management and operations of the municipal utilities to its General Manager.

### **Service Territory, Transmission and Distribution System**

The BPW serves retail customers inside and outside the limits of the City and provides approximately 9,000 retail customers with electric, water and wastewater service.

The BPW’s transmission system is comprised of approximately 6 miles of 161 kV line and 21 miles of 34.5 kV lines, and is interconnected to transmission facilities owned by AmerenUE. The BPW operates three transmission lines that loop around the City, allowing supply of power from any of three directions. The BPW built a 161 kV transmission line and substation west of the City in 2008-2009. The line was put into service in Mid-June but was not totally completed and capitalized until 2009-2010.

As of June 30, 2010, the BPW’s distribution system consisted of approximately 68 circuit miles of overhead and underground lines. The City maintains 6 distribution substations.

### **Power Supply**

The BPW presently purchases 100% of its electrical load requirements from AEM under a three-year contract that will expire at the end of 2011. In addition to the purchase of capacity and energy from the Prairie State Project, the BPW has recently executed a new power supply agreement with AEM that begins the first of 2012 and extends three years.

## Projected Capital Additions

The BPW completed \$10 million of capital improvements in the electrical system during 2009-2010 to increase the reliability of the BPW power grid. These improvements are expected to carry the City's load for the next 20 years.

## Electric Rates

Rate adjustments were made to the residential class only in YE2010. Net revenue in YE2011 after all expenses including debt service was 4.0% of gross.

## Energy Sales and Customer Information

### Historical Peak Load and Energy Sales Fiscal Year Ending June 30

	<b>Peak Load (in MW)</b>	<b>Total Energy Sold (MWh)</b>
2006	64.2	280,559
2007	64.1	274,309
2008	63.0	285,079
2009	60.8	264,519
2010	56.2	259,206
2011	59.2	269,503

### Customers by Class Fiscal Year Ending June 30

	<b><u>2009</u></b>	<b><u>2010</u></b>	<b><u>2011</u></b>
Average Number of Customers:			
Residential	7,823	7,809	7709
Commercial	1,137	1,172	1175
Industrial	125	121	133
Other	<u>0</u>	<u>0</u>	<u>0</u>
Total Number of Customers	9,085	9,102	9017

The BPW's sales are dispersed among all customer classes. As of June 30, 2011, 36% of the BPW's energy sales were made to residential customers, 12% were made to commercial customers and 52% were attributable to industrial and other customers. Large commercial and industrial customers represent a full spectrum of business. Major industrial customers include General Mills Incorporated, Watlow, Spartan, and Buckhorn Rubber. Hannibal Regional Hospital is the area's largest employer, with 1,009 employees.

**Energy Sales (MWh) by Class  
Fiscal Year Ending June 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	\$ 82,582	83,109	84,898
Commercial	30,734	29,231	28,834
Industrial	141,354	137,510	144,160
Other	<u>9,849</u>	<u>9,356</u>	<u>11,611</u>
Total Energy Sales (MWh)	264,519	259,206	269,503

As of June 30, 2010, 35% of the BPW's revenues from the sale of energy were made to residential customers, 13% were made to commercial customers and 52% were attributable to industrial and other customers.

**Energy Revenues by Class  
Fiscal Year Ending June 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Residential	\$ 6,970	\$ 8,248	8,983
Commercial	2,763	3,124	3,117
Industrial	10,210	11,569	12,841
Other	<u>838</u>	<u>921</u>	<u>0</u>
Total Energy Revenues (000's)	\$20,781	\$23,862	27,114

**Financial Condition**

The following Condensed Balance Sheet and Condensed Statement of Operations for the last three fiscal years have been prepared by the BPW based upon audited financial statements. Copies of the City's audited financial statements may be obtained from City of Hannibal, 320 Broadway, Hannibal, MO 63401 or email: [cityhall@hannibal-mo.gov](mailto:cityhall@hannibal-mo.gov).

**City of Hannibal Electric Enterprise  
Condensed Balance Sheet  
Fiscal Year Ending June 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Assets:</u>			
Utility Plant, Net	\$18,654,271	\$18,544,505	17,794,651
Cash and Investments	4,787,765	4,803,324	5,823,360
Other Assets	<u>4,651,912</u>	<u>4,682,714</u>	<u>4,065,542</u>
Total Assets	\$28,093,948	\$28,030,543	27,683,533
<u>Liabilities and Equity:</u>			
Equity	\$15,466,546	\$16,185,796	17,250,821
Revenue Bonds Payable, Noncurrent	8,533,152	7,524,498	6,474,347
Other Liabilities	<u>4,094,250</u>	<u>4,320,249</u>	<u>3,958,365</u>
Total Liabilities and Equity	\$28,093,948	\$28,030,543	27,683,533

**City of Hannibal Electric Enterprise  
Condensed Statement of Operations  
Fiscal Year Ending June 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
<u>Revenues</u>			
Sale of Electricity Retail	\$20,614,316	\$23,698,698	24,939,798
Other Revenues	<u>2,370,288</u>	<u>2,526,009</u>	<u>2,174,093</u>
Total Revenues	\$22,984,604	\$26,224,707	27,113,891
<u>Operating Expenses</u>			
Purchased Power	\$14,733,976	\$18,561,477	19,286,104
Distribution & Customer Care	3,281,289	3,326,090	3,275,280
Administrative and General	<u>2,031,824</u>	<u>2,329,476</u>	<u>2,031,048</u>
Total Operating Expenses	\$20,047,089	\$24,217,043	24,595,432
<u>Other Expenses</u>			
Depreciation	\$ 898,314	\$ 891,631	1,100,211
Interest Expense	435,131	396,783	356,223
Other/Transfers	<u>74,723</u>	<u>0</u>	<u>0</u>
Total Other Expenses	\$1,408,168	\$1,288,414	1,456,434
Net Earnings	\$1,529,347	\$719,250	1,065,025

**City of Hannibal Electric Enterprise  
Net Revenues Available for Debt Service<sup>(1)</sup>  
Fiscal Year Ending June 30**

	<u>2009</u>	<u>2010</u>	<u>2011</u>
Total Gross Revenue	\$22,984,604	\$26,224,707	27,113,891
Operating Expenses	<u>20,047,089</u>	<u>24,217,043</u>	<u>24,592,432</u>
Net Revenue Available for Coverage	\$ 2,937,515	\$ 2,007,664	2,5421,459
Principal and Interest Payments	\$1,280,601	\$1,364,378	1,406,374
Debt Service Coverage	2.3	1.5	1.8

<sup>(1)</sup> Calculation may differ from specifics contained in any bond ordinance, indenture or capital lease agreement.

**Litigation**

There is no material pending litigation relating to the BPW or its operations.

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