**Overview of IMU Accounting Systems for Transmission Assets**

The purpose of this overview is to serve as work papers that substantiate the accounting records and practices of Indianola Municipal Utilities (IMU). It is also supplemental information to the 7-factor test, which substantiates that assets listed on IMU’s financial statements are correctly classified as Transmission Assets. Likewise, transmission system components listed in the 7-factor test correlate to the assets contained in this report. All amounts listed are original construction costs.

**Accounting System Overview**

All 69kV assets were constructed through contracts that comply with Iowa bidding laws, which include plans, specifications, and bid packages prepared by a qualified engineer. Values contained in this report do not include any IMU staff or crew expenses related to construction projects.

The Indianola Municipal Utilities Board of Trustees (an independent oversight board) awards individual construction & material purchase contracts. Awards and change orders are recorded in the IMU Board’s minutes. IMU retains past construction contracts on file, with detailed descriptions of each project’s scope of work, plans & specifications.

During construction, IMU maintains segregated accounting records for each construction project to account for payments to individual contractors. In the past, a manual ledger documenting payment for materials and services was maintained for each individual project. Since the advent of electronic recordkeeping and document imaging, this process has been automated and project accounts remain segregated.

Projects are classified and placed on a depreciation schedule at the end of each fiscal year (see Notes to Financial Statements #1 and #3):

Category Depreciation Schedule

Land N/A

Generating Units 25

Distribution System 40

Transmission System 40

Power Plant Buildings 50

Computer Equipment 5

Vehicles 10

The depreciation schedule and project additions are reviewed by a licensed CPA from an independent accounting firm as part of an annual audit required by Iowa law. As such, costs contained in this report have all been reviewed for accuracy by that licensed CPA firm. Additional work papers, reviewed by that CPA firm, can be made available that substantiate amounts paid to each contractor.

**Transmission Assets Summary**

 22.6 Circuit Miles $ 2,898,266.86

 .26 Circuit Miles $ 655,994.12

 Westside Substation $ 722,945.73

 Gross Transmission Assets $ 4,277,206.71

**69 kV Transmission Lines**

**22.6 circuit miles-**

This 69kV line in operation today is defined as:

1. IMU Westside substation to the MEC Patterson substation (16 miles)
2. IMU Westside substation to the IMU East Iowa substation (6.6 miles)

It was constructed in 1991-1993 as one project since the IMU Westside substation was not constructed until 2005. It was a stand-alone project in that the scope of work consisted only of line construction and interconnections at each substation (IMU East Iowa and MEC Patterson).

In January 2011, IMU received notice from the Iowa DOT of its intention to widen State Highway 92 just east and west of Interstate-35. This project required IMU to move a portion of its 16-mile Patterson transmission line to accommodate the IDOT project.

Line construction & material purchasing contracts awarded as per IMU Board of Trustee minutes and review of contract documents:

Easements $ 230,206.82

IDOT Redesign $ 35,633.42 Net of reimbursements

Associated Consulting $ 397,983.79 Engineering

Aerial Contractors $ 1,256,298.98 Line construction

Heetland Electric $ 133,900.00 Connections

Hamby-Young $ 751,265.44 Substation steel structure & all poles

Iowa Electric Supply $ 429,064.85 Overhead conductors

ABB $ 69,472.00 Breaker

Keystone Electric $ 57,139.00 Control Panels

Misc. $ 13,756.93 Clamps, misc. controls, etc.

Midwest Power ($ 95,506.94) Underbuild credit from MEC

Total $ 3,279,203.29

Net effect of IDOT

Relocation project ($380,936.43)

**Adjusted cost total $2,898,266.86**

**.26 circuit Miles-**

Construction of the 69kV line from IMU Westside substation approximately .26 circuit miles south interconnecting with CIPCO was constructed in 2011. This was a stand-alone project in that the scope of work included only line construction and interconnections at the IMU substation. Retained amounts and final engineering costs were paid in FY 2012.

Line construction & material awards as per IMU Board of Trustee minutes:

 PAR Electric $ 364,335.01 Cable installation

 WESCO $ 117,874.21 Cabling

 Hamby-Young $ 94,520.04 Steel structure, breakers, etc.

 P&E Engineering $ 79,264.86 Engineering of entire project

 **Total $ 655,994.12**

**69kV Combination Substations**

**IMU Westside Substation:**

The IMU Westside substation was constructed in 2005. Individual material purchasing contracts were let for various 69kV materials & distribution facilities. The substation has 3 69kV sources-

1. IMU Westside substation to the MEC Patterson substation
2. IMU Westside substation to the IMU East Iowa substation
3. IMU Westside substation approximately .26 circuit miles south interconnecting with CIPCO

The percentage of common facilities allocated to transmission is based on a common formula of ratio of-

Transmission/(Transmission + Distribution)

The Hooper contract for labor is considered a common facility cost best prorated based on the cost of the materials; it also included the cost for the control building and fence.

**Transmission Facilities-**

 Electric Power Products $ 92,987.42 69kV Relays & Controls

 Distran Package $ 246,075.59 69kV Bus, breakers

 Subtotal $ 339,063.01

 34.9% of Common Facilities $ 383,882.72 Pro-rata %

 **Transmission Total $ 722,945.73**

**Common Facilities-**

 Hooper $ 883,697.54 Substation construction

 P&E Engineering $ 216,252.95 Engineering of entire project

 $1,099,950.49

 34.9% Transmission ($ 383,882.72)

 65.1% Distribution ($ 716,067.77)

 $ -

**Distribution Facilities-**

 Kuhlman Electric $ 376,050.00 13.2kV Transformer

 Central Electric $ 254,389.80 Switchgear

 $ 630.439.80

 65.1% Distribution $ 716,067.77 Pro-ratas %

 **Distribution Total $1,346,507.57**

**Land (Acquisition)- $ 193,884.64 34.9% Land Held for Future Use**

**Total Substation- $2,263,337.94**

**East Iowa Substation:**

**Transmission Facilities-**

Improvements to 69kV facilities at the substation related to the 69kV line construction in 1991-1993 and 2011 are contained in the Transmission Line portion of this report. The original substation was constructed in 1973 and major original 69kV components will have a zero-book value in 2013. Given its age and record-keeping at the time of construction, IMU is not seeking to value any additional assets as transmission, although repairs and maintenance to 69kV assets at this site will be classified as transmission-related in the future.

The substation has 3 69kV sources-

1. IMU Westside substation to the IMU East Iowa substation
2. IMU East Iowa substation to MEC Des Moines Energy Center (MEC DPS line)
3. A step-up transformer that interconnects one of IMU’s combustion turbines located adjacent to the substation at 69kV

**Common Facilities-**

The original substation was constructed in 1973 and major original 69kV components will have a zero-book value in 2013. Given its age and record-keeping at the time of construction, IMU is not seeking to value any additional assets as transmission, although a portion of repairs and maintenance to common facilities at this site will be classified as transmission-related in the future.

Easily identified recent improvements classified as common facilities from the depreciation schedule include-

 Downing Construction $ 22,035.10 Containment & fence 08/27/08

**Distribution Facilities-**

The original substation (1 transformer/switchgear connected to the MEC DPS line) was constructed in 1973 - 1974 and most major original components will have a zero-book value in 2013. There is not a breakdown of 69kV-related expenses so all are assumed to be distribution facilities. A second distribution transformer was added in 1985 with costs of-

 Satin Co. $ 25,175.00 Circuit breakers (10/22/73)

 Scholz Co. $ 174,400.00 Switchgear + Labor (10/22/73)

Scholz Co. $ 498,200.00 2nd Transformer added (11/25/85)

 Subtotal $ 367,509.00

A step-up transformer was added in 2002. IMU understands that it is correctly classified as a generation facility vs. distribution, common, or transmission facility.

**69 kV Transmission Ownership Expense Treatment**

Direct ownership expenses to Transmission Facilities will be separately accounted for beginning in FY 2012. Expenses will include-

* Depreciation of Transmission Assets.
* Direct maintenance work on Transmission Facilities by contracted personnel
* Direct materials for Transmission Facilities repairs used by contracted personnel & IMU personnel
* Direct property taxes on 69kV facilities located outside the city limits imposed by outside taxing authorities
* Direct billing for defined incidents based on standard time/equipment rates, which are based on hourly cost averages for the Electric Utility. These standard time/equipment rates are only for Distribution System crews, not IMU operational personnel directly assigned to monitor the Transmission Assets.
* Proportionate salaries, FICA, and IPERS based on time spent performing transmission-related duties for full-time operational personnel (excludes Distribution System crews) who are directly assigned to monitor Transmission Assets:
	+ 15% of the Lead Operator
	+ 10% of the Operator II
	+ 5% of the Electric Superintendent

Common expenses will be applied in the annual Attachment O filing-

* Allocated in-lieu of property taxes based on the percentage of Transmission Facilities vs. other IMU Electric Utility facilities located inside the city limits (and not imposed by an outside taxing authority)
* Allocated expenses related to common facilities
* Allocated A&G expenses
	+ IMU General Manager and administrative staff (Note: does not include the Electric Supt. since that position performs direct services)
	+ Accounting Services
	+ Other A&G expenses