

Okanogon County Electric Cooperative

Treasurer's Report

August 2011

Operating Statement (all information is from non-audited sources)

Revenues were \$352k for August and \$3,173k YTD. Revenues YTD are positive to forecast by \$22k or less than 1%. Accounts billed were 3499, which compares to 3492 in August 2010.

The **cost of power** was \$142k for August and \$1,309k YTD or 41.3% of revenue. Cost of power YTD dollar amount is positive to forecast by 10K. Power purchased YTD was 38,805,635 kWh which is an increase of 11.5% from 2010. The average price paid per kWh YTD was \$0.0337 which compares to \$0.0345 for 2010 and \$0.03477 in the 2011 forecast.

Non-fixed expenses (lines 5 through 10 on Form 7) were \$131k for August and \$1,165k YTD or 36.7% of revenue. Non-fixed expenses YTD are negative to forecast by 79K or 7.4%. Legal expenses beyond forecast associated with labor negotiations, severance package for past General Manager are notable.

Fixed expenses (lines 12 through 18 on Form 7) were 46K for August and 496K YTD or 15.6% of revenue. Fixed expenses YTD are negative to forecast by 4k or less than 1%.

Operating Margin was 33k for August and 204K YTD or 6.4% of revenue. Operating margin YTD is negative to forecast by 50K or 19.7%.

Non-Operating Margin was 20K YTD. Non-Operating margin YTD is favorable to forecast by 5K.

Net Margin was 34k for August and 223K YTD. Net Margin YTD is negative to forecast by 46K or 17.1%.

Balance Sheet (all information is from non-audited sources)

Total assets increased by 61k during August. The increase in cash of 100k and decrease in accounts receivable of 45k account for material change in assets.

Performance Ratios

TIER ratio was 2.22 YTD. This ratio continues to improve.

Current Ratio was 2.09 YTD very close to the prior month. This ratio compares to national median of 1.2 in the CFC 2009 ratio analysis.

Debt to Equity Ratio(s) Equity is slightly larger than debt at 1.05 calculated on long-term debt. If all debt is considered the ratio is .872. Equity as a percent of total capitalization is 46.6 as compared to the national median of 47.6 in the CFC 2009 ratio analysis.

Return on Assets was 2.27% YTD. This ratio compares to the national median of 6.01% in the CFC 2009 ratio analysis.

Treasurer's Comments

Kilowatt hours purchased August YTD were up 11.5% from 2010 but revenues are up only 4.6%. OCEC has benefited from a favorable price to purchase power (\$.0337 in 2011 YTD versus \$.0345 in 2010 YTD, August power cost was \$.0361), the Bonneville Power Administration (BPA) rate increase effective October 1, 2011 will impact OCEC margins.

Expenses are over forecast by \$83k YTD which is of concern by itself. When unforeseen expenses (e.g. labor negotiations legal expenses, former General Manager Severance package, Interim General Manager compensation, Brayden Unit analysis study) are removed; expenses are near forecast. The Board has approved expenditure of unbudgeted funds for a Cost of Service Analysis (COSA) in preparation for rate adjustment to members and Mazama Feeder Line alternatives analysis. Areas that expenditures are currently below budget are Conservation, Board expenses, and Engineering Services. The net of current position and anticipated unbudgeted expenditures versus under-budget items is likely to cause expenses to exceed forecast for the year.