

Okanogon County Electric Cooperative

Treasurer's Report

November 2011

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

Revenues were \$445k for November and \$4,317k YTD. Revenues YTD are **positive** to forecast by \$39k or less than 1%. Accounts billed were 3505, which compares to 3474 in November 2010. Idle services were at 85 in the current month which compares to 94 in November 2010.

The **cost of power** was \$125k for November and \$1,731k YTD or 40.1% of revenue. Cost of power YTD dollar amount is **negative** to forecast by 3k or less than (1%). Power purchased YTD was 51,835,390 kWh which is an increase of 8.4% from 2010. The average price paid per kWh YTD was \$0.0334 which compares to \$0.0353 for 2010 YTD and \$0.03477 in the 2011 forecast. November price for power was \$0.0212, however credits of 79k are reflected in the bill, the credit-adjusted price per kWh is \$0.0351.

Non-fixed expenses (lines 5 through 10 on Form 7) were \$156k for November and \$1,572k YTD or 36.4% of revenue. Non-fixed expenses YTD are **negative** to forecast by 107k or (7.3%). Legal expenses beyond forecast associated with labor negotiations, costs associated with departure of past General Manager are notable.

Fixed expenses (lines 12 through 18 on Form 7) were 67k for November and 686k YTD or 15.9% of revenue. Fixed expenses YTD are **negative** to forecast by 18k or less than (1%).

Operating Margin was 97k for November and 327K YTD or 7.6% of revenue. Operating margin YTD is **negative** to forecast by 93k or (22.2%).

Non-Operating Margin was 48k YTD. Non-Operating margin YTD is **favorable** to forecast by 27k.

Net Margin was 98k for November and 375k YTD. Net Margin YTD is **negative** to forecast by 67k or (15.2%).

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

Total assets increased by 80k during November to \$9,877,843. The increase in Net Plant reflects the completion of projects which were formerly Work-in Progress. There was little change in Cash and Accounts Receivable. Accounts Payable declined by 60k to the lowest level since May 2011.

Performance Ratios

TIER ratio was 2.49 YTD. This ratio compares to 2.67 for the state median and 2.45 for the national median in the CFC 2010 ratio analysis.

Current Ratio was 2.2 YTD, up slightly from prior month. This ratio compares to national median of 1.23 and 1.35 for the state of Washington in the CFC 2010 ratio analysis.

Debt to Equity Ratio(s) Equity is slightly larger than debt at 1.09 calculated on long-term debt. If all debt is considered the ratio is .92. Equity as a percent of total capitalization is 47.9% as compared to the national median of 48.6% and 57.3% for the state of Washington in the CFC 2010 ratio analysis.

Return on Assets was 3.8% YTD. This is a full 1 point increase and all the greater concern for future true-up costs. This ratio compares to the national median of 6.01% in the CFC 2010 ratio analysis.

Return on Equity was 7.93% YTD. This ratio compares to the national median of 6.22% and state of Washington of 5.95 in the CFC 2010 ratio analysis.

Treasurer's Comments

The uncertainty of the new BPA rates was apparent with a positive effect during November. Annual margin increased by almost 50% the prior month YTD amount due to credits on the power bill. November margins should be viewed with great skepticism going into the future.

Kilowatt hours purchased November were near the long-term average level for energy consumption. The number of customers billed has grown less than 1% compared to 2010. OCEC remains in low to no growth situation.

Expenses are over forecast by \$125k YTD which is of concern by itself. When unforeseen expenses (e.g. labor negotiations legal expenses, former General Manager Separation costs, 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 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.