

Okanogan County Electric Cooperative

Treasurer's Report

October 2011

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

Revenues were \$357k for October and \$3,873k YTD. Revenues YTD are positive to forecast by \$38k or less than 1%. Accounts billed were 3510, which compares to 3489 in October 2010. Idle services which were at 95 in June 2011 have fallen to 84 in the current month.

The **cost of power** was \$164k for October and \$1,606k YTD or 41.5% of revenue. Cost of power YTD dollar amount is negative to forecast by 46k. Power purchased YTD was 46,295,270 kWh which is an increase of 10.6% from 2010. The average price paid per kWh YTD was \$0.0347 which compares to \$0.0353 for 2010 YTD and \$0.03477 in the 2011 forecast. October price for power was \$0.0413 reflecting the new BPA rate structure.

Non-fixed expenses (lines 5 through 10 on Form 7) were \$134k for October and \$1,418k YTD or 36.6% of revenue. Non-fixed expenses YTD are negative to forecast by 79k or 5.9%. 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 62k for October and 619k YTD or 16.0% of revenue. Fixed expenses YTD are negative to forecast by 14k or less than 1%.

Operating Margin was (4) k for October and 230K YTD or 5.9% of revenue. Operating margin YTD is negative to forecast by 100k or 30.0%.

Non-Operating Margin was 47k YTD. Non-Operating margin YTD is favorable to forecast by 27k.

Net Margin was (1) k for October and 277k YTD. Net Margin YTD is negative to forecast by 73k or 20.9%.

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

Total assets increased by 55k during October to \$9,797,502. It was a very uneventful month on the Balance sheet. Net plant increased by 29k, cash increased in proportion to the prepayments decline. Current liabilities change was proportionate to asset increase.

Performance Ratios

TIER ratio was 2.21 YTD. This ratio compares to 2.30 for the state median and 2.86 for the national median in the CFC 2009 ratio analysis.

Current Ratio was 2.1 YTD, down slightly from 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 1.07 calculated on long-term debt. If all debt is considered the ratio is .898. Equity as a percent of total capitalization is 47.3% as compared to the national median of 47.6% in the CFC 2009 ratio analysis.

Return on Assets was 2.83% YTD. This ratio compares to the national median of 6.01% in the CFC 2009 ratio analysis.

Return on Equity was 5.98% YTD. This ratio compares to the national median of 7.1% in the CFC 2009 ratio analysis.

Treasurer's Comments

The effect of the Bonneville Power Administration (BPA) rate change on October 1, 2011 is immediately evident on OCEC. Operating margins were slightly negative at (4) k for October. This is the first monthly loss during 2011.

Kilowatt hours purchased October YTD was up 10.6% from 2010 but revenues are up only 2.3%. The situation where revenue does not grow as fast as energy cost grows will need to be addressed in the upcoming rate adjustment.

Expenses are over forecast by \$93k 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.