

# Okanogon County Electric Cooperative

## Treasurer's Report

### September 2011

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

**Revenues** were \$341k for September and \$3,516k YTD. Revenues YTD are **positive** to forecast by \$26k or less than 1%. Accounts billed were 3511, which compares to 3488 in September 2010. Idle services which were at 95 in June 2011 have fallen to 84 in the current month.

The **cost of power** was \$132k for September and \$1,442k YTD or 41.0% of revenue. Cost of power YTD dollar amount is **positive** to forecast by 6k. Power purchased YTD was 42,312,865 kWh which is an increase of 11.1% from 2010. The average price paid per kWh YTD was \$0.0341 which compares to \$0.0344 for 2010 YTD and \$0.03477 in the 2011 forecast.

**Non-fixed expenses** (lines 5 through 10 on Form 7) were \$119k for September and \$1,283k YTD or 36.5% of revenue. Non-fixed expenses YTD are **negative** to forecast by 73k or 6.0%. 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 61k for September and 557k YTD or 15.8% of revenue. Fixed expenses YTD are **negative** to forecast by 8k or less than 1%.

**Operating Margin** was 30k for September and 234k YTD or 6.7% of revenue. Operating margin YTD is **negative** to forecast by 49k or 17.2%.

**Non-Operating Margin** was 44k YTD. Non-Operating margin YTD is **favorable** to forecast by 27k.

**Net Margin** was 55k for September and 279k YTD. Net Margin YTD is **negative** to forecast by 22k or 7.3%.

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

Total assets decreased by (92k) during September. While net plant increased by 61k, notable declines are temporary investments (104k), cash (34k), material inventory (13k) and prepayments from members by (16k). In total, current assets decreased by (158k) resulting in the 92k reduction in assets.

#### Performance Ratios

**TIER** ratio was 2.35 YTD. This ratio continues to improve.

**Current Ratio** was 2.2 YTD, up 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 .908. Equity as a percent of total capitalization is 47.6 as compared to the national median of 47.6 in the CFC 2009 ratio analysis.

**Return on Assets** was 2.86% YTD. This ratio compares to the national median of 6.01% in the CFC 2009 ratio analysis.

## **Treasurer's Comments**

Kilowatt hours purchased September YTD was up 11.1% from 2010 but revenues are up only 4.2%. OCEC has benefited from a favorable price to purchase power (\$.0341 in 2011 YTD) and despite the increase in kWh purchased dollars spent are below forecast. The Bonneville Power Administration (BPA) rate increase effective October 1, 2011 will impact OCEC margins.

Expenses are over forecast by \$81k 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, 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.