

OPALCO 2017 Q3 Financial Report

November 2017 Board Meeting

Let's start with Budget to Actual...

2017 Q3 Results: Statement of Operations

	A. Audited Year End 12/31/2013	B. Audited Year End 12/31/2014	C. Audited Year End 12/31/2015	D. Audited Year End 12/31/2016	E. Budget Year End 12/31/2017	F. Budget Period End 9/30/2017	G. Actual Period End 9/30/2017	H. Budget Variance (G - F)	I. Audited Period End 9/30/2016
1 OPERATING REVENUES									
2 Residential	\$ 15,598,797	\$ 15,913,325	\$ 17,694,706	\$ 18,104,756	\$ 18,910,272	\$ 13,347,941	\$ 14,996,066	1,648,125	\$ 12,794,148
3 Commercial	5,467,588	5,694,901	6,356,143	6,463,561	6,851,153	4,837,281	5,400,426	563,145	4,705,567
4 Other	364,892	420,798	531,069	680,713	648,188	473,080	558,005	84,925	486,866
5 Total operating revenue	21,431,278	22,029,025	24,581,918	25,249,029	26,409,613	18,658,302	20,954,497	2,296,194	17,986,581
6									
7 OPERATING EXPENSES									
8 Cost of power	7,514,128	8,037,428	7,787,142	7,942,885	8,402,223	5,665,314	6,399,836	734,522	5,675,960
9 Transmission	70,117	92,874	179,264	94,462	177,500	74,173	133,890	59,717	47,787
10 Distribution - operations	2,968,003	2,961,250	3,391,150	3,215,893	3,514,721	2,682,947	2,693,001	10,054	2,441,628
11 Distribution - maintenance	1,669,524	1,778,516	1,713,924	1,692,345	1,851,312	1,451,045	1,316,155	(134,890)	1,457,133
12 Consumer accounts	853,211	898,198	893,766	947,326	1,045,340	800,592	750,485	(50,107)	724,862
13									
14 General and administration									
15 Administration	2,718,889	2,822,439	2,950,777	2,787,995	3,110,220	2,330,554	2,227,743	(102,811)	2,154,123
16 Energy services	462,966	373,323	658,939	103,671	491,931	392,321	328,159	(64,161)	17,466
17 Subsidiary charges (RIC network mgt services)	-	-	29,100	34,920	69,720	52,290	26,190	(26,100)	26,190
18 Total general and administration	3,181,855	3,195,763	3,638,816	2,926,586	3,671,871	2,775,165	2,582,093	(193,072)	2,197,779
19									
20 Depreciation and amortization	2,719,560	2,975,650	3,308,154	3,546,977	3,801,831	2,819,511	2,755,931	(63,580)	2,630,573
21 Taxes	930,482	961,815	1,046,626	1,137,058	1,220,252	891,011	959,474	68,463	912,859
22									
23 Total operating expenses	19,906,881	20,901,493	21,958,841	21,503,532	23,685,051	17,159,759	17,590,866	431,108	16,088,582
24									
25 Operating margins before fixed charges	1,524,397	1,127,532	2,623,077	3,745,497	2,724,563	1,498,544	3,363,630	1,865,087	1,897,999
26									
27 FIXED CHARGES									
28 Interest on long-term debt	786,193	908,934	1,047,248	1,095,316	1,019,178	752,493	773,305	20,811	837,852
29									
30 Operating margins after fixed charges	738,204	218,598	1,575,829	2,650,181	1,705,384	746,050	2,590,326	1,844,275	1,060,147
31									
32 PATRONAGE CAPITAL CREDITS	38,048	67,853	83,608	81,361	79,323	55,526	64,505	8,979	67,239
33									
34 Net operating margins	776,252	286,451	1,659,437	2,731,543	1,784,707	801,576	2,654,830	1,853,254	1,127,386
35									
36 NON-OPERATING MARGINS									
37 Interest income	33,261	32,130	127,804	36,286	36,146	25,822	100,632	74,810	25,922
38 Other income	46,893	23,458	71,081	25,084	25,163	18,622	(55,475)	(74,098)	21,038
39 Total Opalco non-operating margins	80,154	55,588	198,886	61,370	61,309	44,445	45,156	712	46,960
40									
41 Fiber Optics Division (Island Network Department)									
42 IN Income	388,117	519,819	-	-	-	-	-	-	-
43 IN Expenses	273,006	739,907	-	-	-	-	-	-	-
44 Total Fiber Optics Division	115,111	(220,088)	-	-	-	-	-	-	-
45									
46 Non-operating margins from Subsidiary									
47 Interest Income (RIC loan)	-	-	-	181,471	76,211	57,159	59,487	2,328	161,141
48 Other income (use of OPALCO backbone)	-	-	-	87,873	87,873	65,905	64,713	(1,191)	65,905
49 Total non-operating margins from Subsidiary	-	-	-	269,344	164,084	123,063	124,200	1,137	227,046
50									
51 Net non-operating margins	195,265	(164,500)	198,886	330,715	225,393	167,508	169,356	1,849	274,006
52									
53 NET MARGINS	\$ 971,518	\$ 121,951	\$ 1,858,322	\$ 3,062,257	\$ 2,010,100	\$ 969,084	\$ 2,824,186	1,855,103	\$ 1,401,392
54									
55 TIER	2.24	1.13	2.51	3.24	2.36	1.88	3.40	1.52	2.38
56 Equity % of Total Cap	69.5%	61.3%	53.3%	48.7%	42.9%	41.9%	46.0%	4.1%	49.7%

Total Operating Revenue

Cost of Power

Total Operating Expenses

Headline

- Revenue up. Expenses up less.

3rd Quarter Results

- Operating Margin: +\$2,654,830
- Margin: +\$2,824,186 (excludes Rock Island)

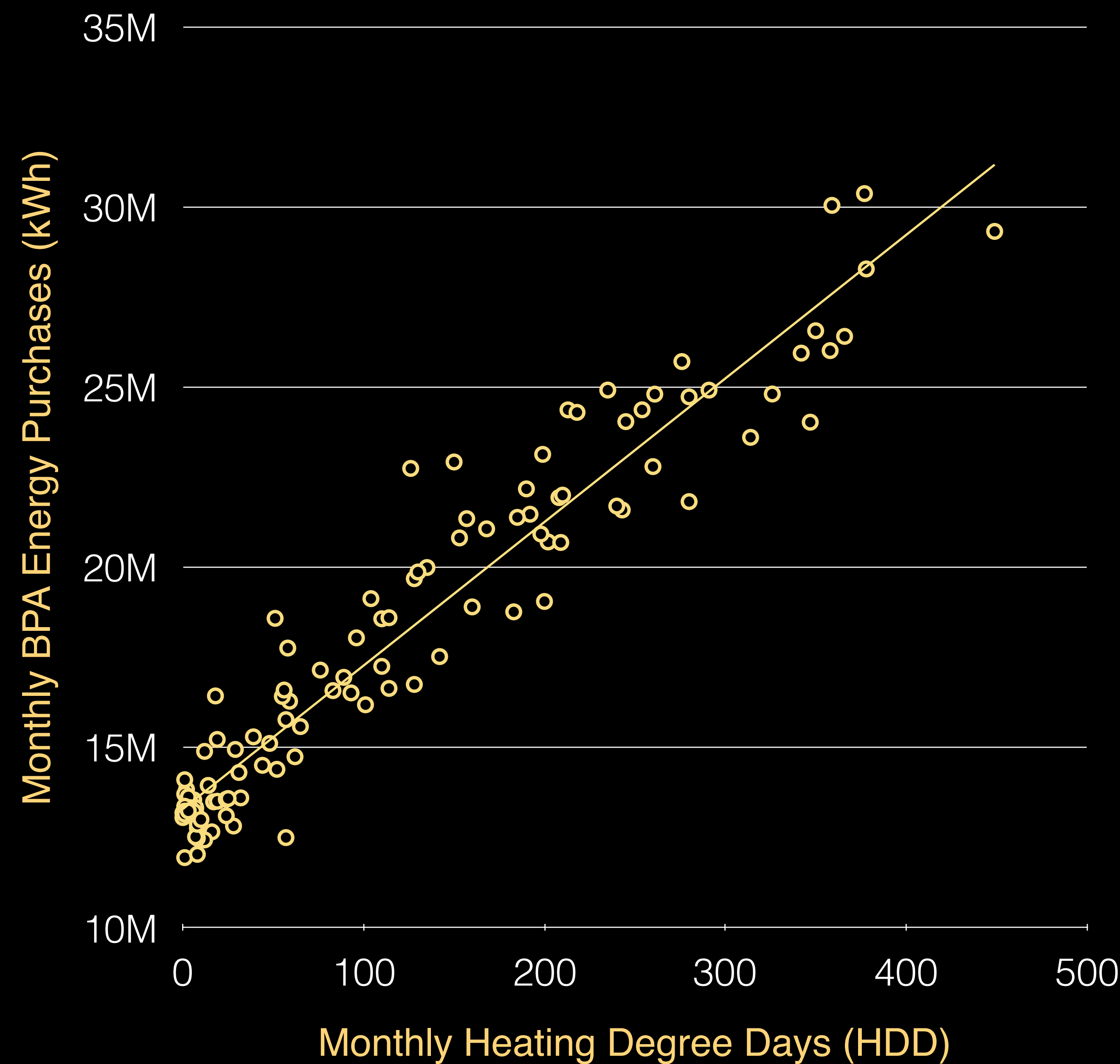
Revenue + Weather

Rule of Thumb

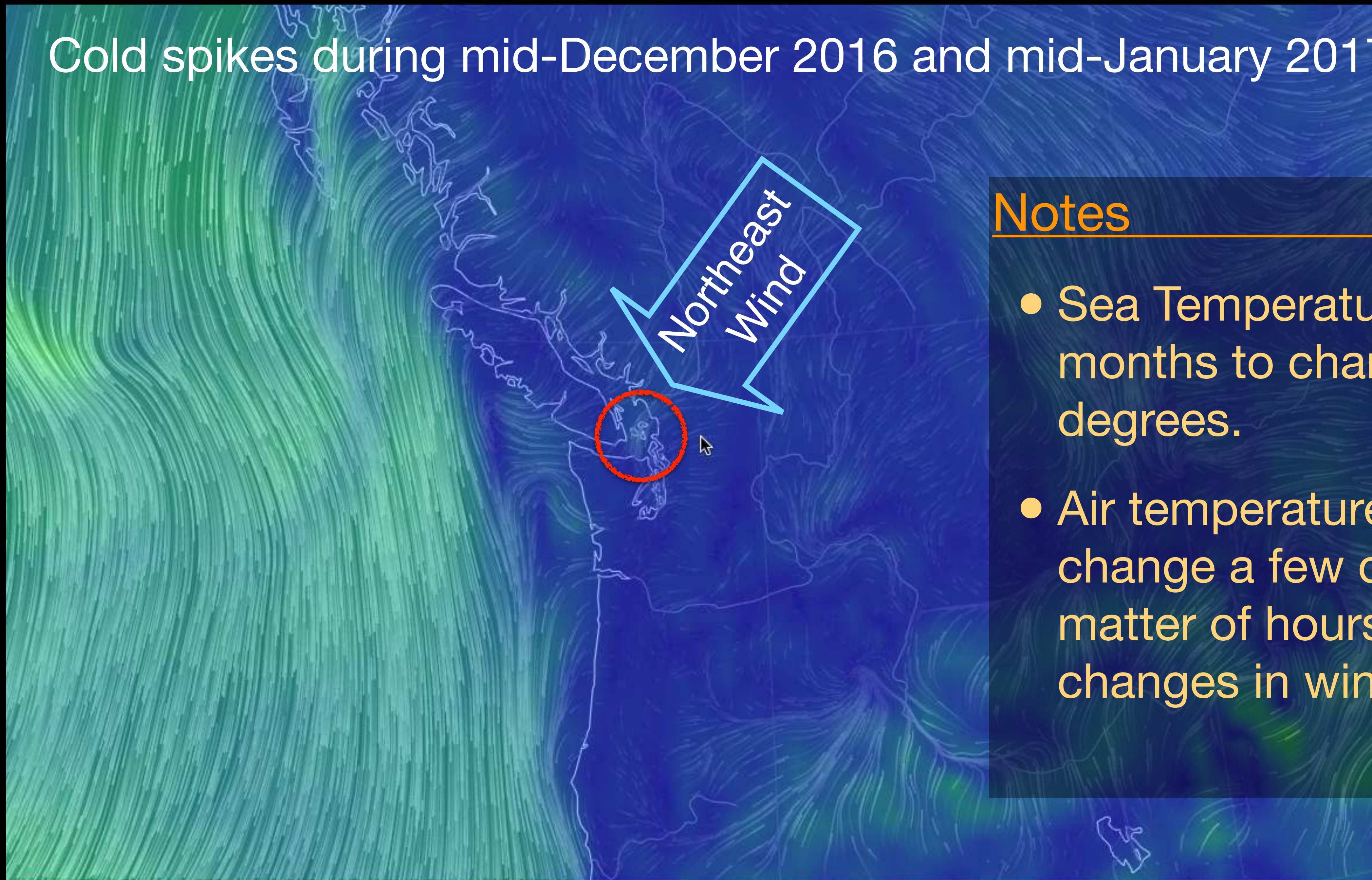
Temperature → HDD → kWh → \$

(Water & Air)

Monthly HDD and BPA kWh Purchases



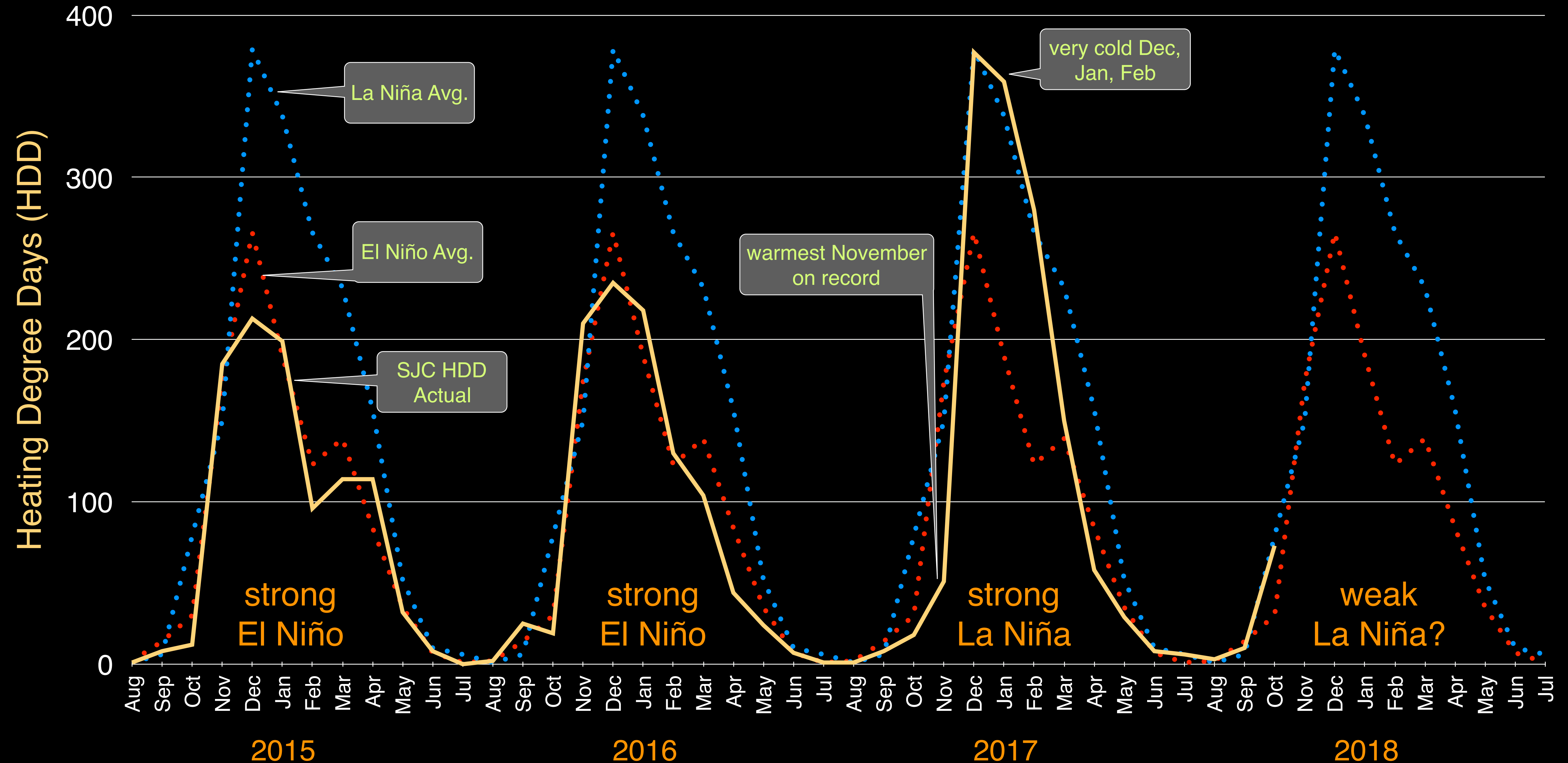
Cold spikes during mid-December 2016 and mid-January 2017 wind shift



Notes

- Sea Temperature takes months to change a few degrees.
- Air temperature can change a few degrees in a matter of hours due to changes in wind direction.

Current Winter Was Much Colder Than Previous Two Winters



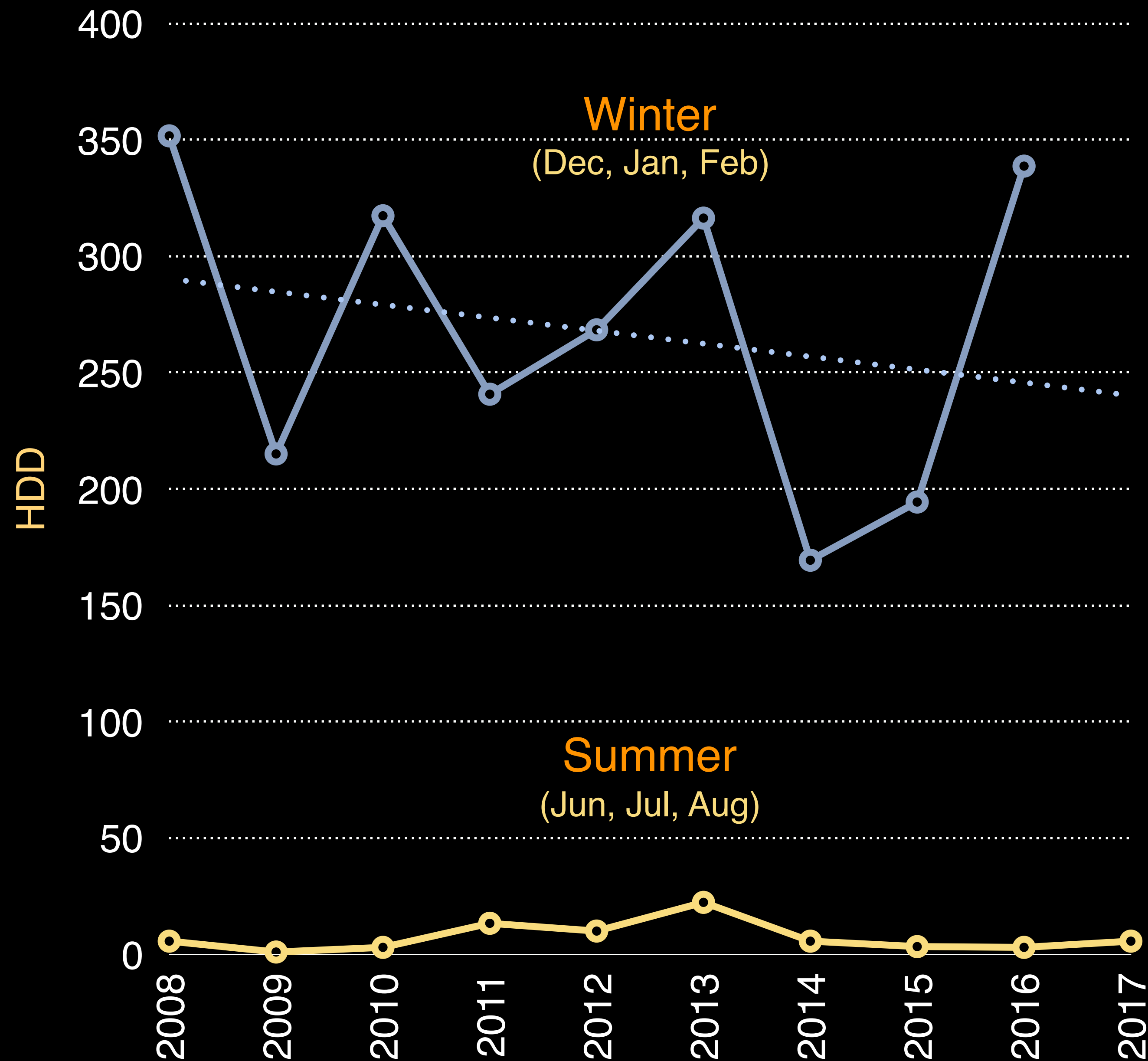
SJC Annual HDD



Notes

- Total January through December
- 2017: January actual, February through December average 2007 through 2016

Average Seasonal HDD: Summer, Winter



Notes

- Summer: Jun, Jul, Aug
- Winter: Dec, Jan, Feb
- Winter is December of indicated year, and January/February of following year

2017 Q3 Results: Statement of Operations

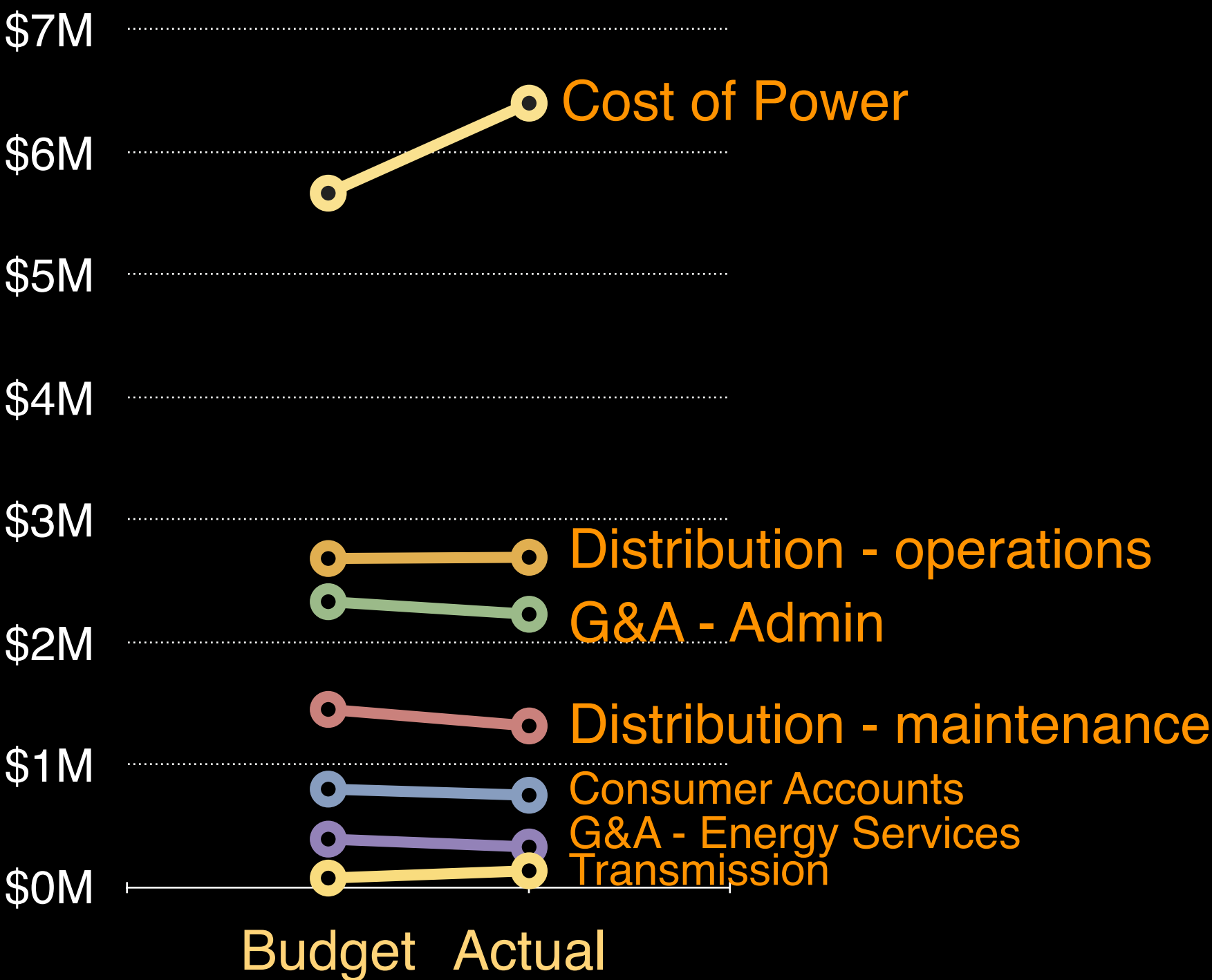
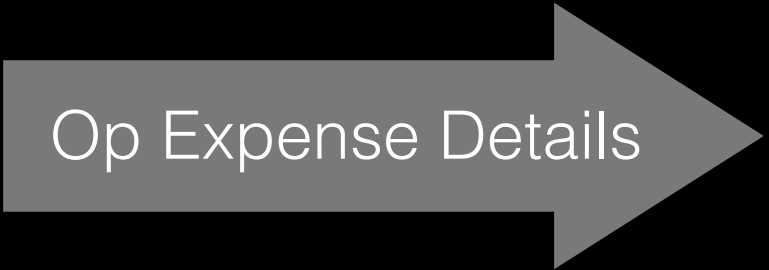
Headline

- Revenue up. Expenses up less.

3rd Quarter Results

- Operating Margin: **+\$2,654,830**
- Margin: **+\$2,824,186** (excludes Rock Island)

	A. Audited Year End 12/31/2013	B. Audited Year End 12/31/2014	C. Audited Year End 12/31/2015	D. Audited Year End 12/31/2016	E. Budget Year End 12/31/2017	F. Budget Period End 9/30/2017	G. Actual Period End 9/30/2017	H. Budget Variance (G - F)	I. Audited Period End 9/30/2016
1 OPERATING REVENUES									
2 Residential	\$ 15,598,797	\$ 15,913,325	\$ 17,694,706	\$ 18,104,756	\$ 18,910,272	\$ 13,347,941	\$ 14,996,066	1,648,125	\$ 12,794,148
3 Commercial	5,467,588	5,694,901	6,356,143	6,463,561	6,851,153	4,837,281	5,400,426	563,145	4,705,567
4 Other	364,892	420,798	531,069	680,713	648,188	473,080	558,005	84,925	486,866
5 Total operating revenue	21,431,278	22,029,025	24,581,918	25,249,029	26,409,613	18,658,302	20,954,497	2,296,194	17,986,581
6									
7 OPERATING EXPENSES									
8 Cost of power	7,514,128	8,037,428	7,787,142	7,942,885	8,402,223	5,665,314	6,399,836	734,522	5,675,960
9 Transmission	70,117	92,874	179,264	94,462	177,500	74,173	133,890	59,717	47,787
10 Distribution - operations	2,968,003	2,961,250	3,391,150	3,215,893	3,514,721	2,682,947	2,693,001	10,054	2,441,628
11 Distribution - maintenance	1,669,524	1,778,516	1,713,924	1,692,345	1,851,312	1,451,045	1,316,155	(134,890)	1,457,133
12 Consumer accounts	853,211	898,198	893,766	947,326	1,045,340	800,592	750,485	(50,107)	724,862
13									
14 General and administration									
15 Administration	2,718,889	2,822,439	2,950,777	2,787,995	3,110,220	2,330,554	2,227,743	(102,811)	2,154,123
16 Energy services	462,966	373,323	658,939	103,671	491,931	392,321	328,159	(64,161)	17,466
17 Subsidiary charges (RIC network mgt services)	-	-	29,100	34,920	69,720	52,290	26,190	(26,100)	26,190
18 Total general and administration	3,181,855	3,195,763	3,638,816	2,926,586	3,671,871	2,775,165	2,582,093	(193,072)	2,197,779
19									
20 Depreciation and amortization	2,719,560	2,975,650	3,308,154	3,546,977	3,801,831	2,819,511	2,755,931	(63,580)	2,630,573
21 Taxes	930,482	961,815	1,046,626	1,137,058	1,220,252	891,011	959,474	68,463	912,859
22									
23 Total operating expenses	19,906,881	20,901,493	21,958,841	21,503,532	23,685,051	17,159,759	17,590,866	431,108	16,088,582
24									
25 Operating margins before fixed charges	1,524,397	1,127,532	2,623,077	3,745,497	2,724,563	1,498,544	3,363,630	1,865,087	1,897,999
26									



Thank You!