

## **Quarterly Financial Information Update**

Figures reflect data collected and recorded in SAP through September, 2006. Reserve figures presented are estimates as not all revenues and expenses have been received for Fiscal Year 2006-07. Final reserve figures will be available at the end of the fiscal year after the auditors review the City's financial statements and the Comprehensive Annual Financial Report (CAFR) is produced.

Significant changes to the RSR balances may take place due to adjustments not known at this time. Those adjustments could include additional revenues or expenses, the calculation of gain or loss on investment, and the accrual of previously unrecognized liabilities for worker compensation, general liability and retiree medical benefits. The amounts of these adjustments will be reflected as they become known.

Unaudited Actuals to date includes full encumbrances for all budgeted CIP projects.

Based on the UAC recommendations, the reports for all three utilities now cover the same reporting period. Therefore, financial data related to Electric purchases are based on one months of actual and two months of estimated costs for the period of August and September. At the time the data for this report was gathered, bills for this period have not been received. Gas and Water figures are based on three months of actual data.

**Table 1**

<b>Electric -Retail-</b>	FY 05-06 Unaudited Actuals	FY 06-07 Adopted Budget	FY 06-07 Unaudited Actuals	Difference of Adopted Budget and Actuals	% Variance to Budget
		<i>Jul 06-Sep 06</i>	<i>Jul 06-Sep 06</i>		
Retail Sales Units (kWh)	966,110,331	252,972,744	251,189,061	(1,783,683)	(0.7%)
System Average Retail Rate (\$/kWh)	\$0.0880	\$0.0939	\$0.0951	\$0.0013	1.4%
Retail Sales Revenue	\$84,756,354	\$ 23,744,715	\$ 23,897,978	\$ 153,263	0.6%
<u>Retail Purchase Cost *</u>	<u>31,763,151</u>	<u>13,717,000</u>	<u>15,472,973</u>	<u>1,755,973</u>	<u>12.8%</u>
Operating Margin	\$52,993,203	\$ 10,027,715	\$ 8,425,005	\$ (1,602,710)	(16.0%)

\* Purchase costs do not include CVP O&M, Debt Service, or Surplus energy costs

**Explanation:**

FY 05-06: Annual sales level of 966 million kWh was 1.5 percent above the adjusted budget forecast.

FY 06-07: Sales units through September were slightly lower than adopted budget projections by 0.7 percent. Revenues were slightly higher by 0.6 percent. Purchase costs for the same period are estimated to be higher than the budget figure by 12.8 percent. Not all bills have been received, however, and current costs are projected to be lower than budgeted expenses for the year, as described below. The net impact on the operating margin is estimated to be a decrease of 16 percent, or \$1.6 million.

**Table 2**

<b>Electric - Operating Activity</b>	All figures in thousands (000's)				
	Adopted Budget <i>FY 06-07</i>	Unaudited Actuals <i>Jul 06-Sep 06</i>	Projected Activity <i>Oct 06-Jun 07</i>	Projected FY 2006-07 Activity	Variance to Budget
<b>Electric Supply Fund</b>					
Net Sales to date *	\$ 55,294	\$ 14,925	\$ 40,467	\$ 55,392	\$ 98
Other revenues to date	10,648	2,057	8,591	10,648	-
Purchase costs to date to serve retail load	(55,273)	(15,473)	(34,363)	(49,836)	5,437
Other expenses to date **	(21,108)	(6,170)	(14,854)	(21,024)	84
Surplus Energy costs to date	(984)	(3,236)	(83)	(3,319)	(2,335)
Surplus Energy revenues to date	2,471	3,876	3,206	7,082	4,611
<b>Total</b>	<b>\$ (8,951)</b>	<b>\$ (4,021)</b>	<b>\$ 2,965</b>	<b>\$ (1,056)</b>	<b>\$ 7,895</b>
<b>Electric Distribution Fund</b>					
Net Sales to date *	\$ 30,583	\$ 8,973	\$ 21,661	\$ 30,634	\$ 51
Other revenues to date	4,001	1,637	2,364	4,001	-
Other expenses to date **	(37,245)	(9,838)	(29,611)	(39,449)	(2,204)
<b>Total</b>	<b>\$ (2,661)</b>	<b>\$ 772</b>	<b>\$ (5,586)</b>	<b>\$ (4,814)</b>	<b>\$ (2,153)</b>

\* Includes misc. sales, adjustments, discounts, and bad debt

\*\* Includes debt service, reserve transfers, salaries, allocated charges, other misc. expenses and encumbrances

**Table 3**

<b>Estimated Electric Supply Rate Stabilization Reserve</b>		
All figures in thousands (000's)		
<b>FY 06-07 Adopted Budget Beginning Balance</b>		
		\$ 44,098
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ 20,444	64,542
Net sum of Unaudited Actuals *	(4,021)	
<b>Current Projected Reserve Balance</b>		<b>\$ 60,521</b>
Net sum of Projected Activity for the remainder of the year	2,965	
<b>Estimated FY 2006-07 Ending Balance</b>		<b>\$ 63,486</b>
<b>Adopted Budget SRSR Maximum Guideline</b>		<b>\$ 56,933</b>
<b>Estimated Electric Distribution Rate Stabilization Reserve</b>		
All figures in thousands (000's)		
<b>FY 06-07 Adopted Budget Beginning Balance</b>		
		\$ 11,700
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ (376)	11,324
Net sum of Unaudited Actuals *	772	
<b>Current Projected Reserve Balance</b>		<b>\$ 12,096</b>
Net sum of Projected Activity for the remainder of the year	(5,586)	
<b>Estimated FY 2005-06 Ending Balance</b>		<b>\$ 6,510</b>
<b>Adopted Budget DRSR Minimum Guideline</b>		<b>\$ 5,433</b>

\* Includes Encumbrances for CIP & Operations

**Electric Supply:** The \$20.4 million change in the adopted beginning balance (Table 3) is primarily a result of an abundance of low cost hydro supply during FY 05-06.

The actual drawdown of the SRSR in FY 06-07 is expected to be lower than budgeted amounts. The current year end drawdown is projected to be \$1.056 million (a \$4.0 million reduction in the first three months offset by \$2.9 million in the rest of the year), an improvement from the \$8.951 million projected in the budget. The lower drawdown is primarily the result of cost savings due to carryover effects of a good hydro year and lower transmission related cost projections during the year.

**Electric Distribution:** The \$2.2 million projected expense increase is the impact of retiree medical costs. The net result of current projections is a decrease of \$4.8 million (\$772 thousand in the first three months reduced by \$5.6 million in the rest of the year) to the ending balance of the DRSR.

**Table 4**

<b>Gas -Retail-</b>	FY 05-06 Unaudited Actuals	FY 06-07 Adopted Budget	FY 06-07 Unaudited Actuals	Difference Of Adopted Budget and Actuals	% Variance to Budget
	Actual	<i>Jul 06-Sep 06</i>	<i>Jul 06-Sep 06</i>		
Sales Units (Therms)	31,512,766	4,885,000	4,401,963	(483,037)	(9.9%)
System Average Rate (\$/Therm)	\$1.15	\$1.34	\$1.24	\$ (0.10)	(7.7%)
Retail Sales Revenue	\$ 36,459,726	\$ 6,557,000	\$ 5,452,589	\$ (1,104,411)	(16.8%)
<u>Retail Purchase Cost</u>	<u>21,429,621</u>	<u>3,930,812</u>	<u>2,405,518</u>	<u>(1,525,294)</u>	<u>(38.8%)</u>
Operating Margin	\$ 15,030,105	\$ 2,626,188	\$ 3,047,071	\$ 420,883	16.0%

**Explanation:**

FY 05-06: Sales units were 1.8 percent below budget projections.

FY 06-07: Sales units through September are lower than projected by 9.9 percent, while revenues are lower by 16.8 percent. Warmer weather at the beginning part of the year has lowered sales, as well as the loss of some large customer load. Some of the revenue loss is also due to the large customers charged at market prices having lower than projected commodity costs.

Lower market prices have also led to lower purchase costs by 38.8 percent for the same period. These trends will be monitored closely, and a revenue and/or purchase cost adjustment may become necessary during the midyear process. Preliminary figures show the current net impact is an increase in the Operating Margin of \$421 thousand, or 16 percent.

**Table 5**

<b>Gas - Operating Activity</b>	All figures in thousands (000's)				
	Adopted Budget	Unaudited Actuals <i>Jul 06-Sep 06</i>	Projected Activity <i>Oct 06-Jun 07</i>	Projected FY 2006-07 Activity	Variance to Budget
<b>Gas Supply Fund</b>					
Net Sales to date *	\$ 28,332	\$ 3,708	\$ 22,116	\$ 25,823	\$ (2,509)
Other revenues to date	149	21	128	149	-
Purchase costs to date	(26,791)	(2,406)	(19,124)	(21,530)	5,262
Other expenses to date **	(972)	(208)	(876)	(1,083)	(111)
<b>Total</b>	<b>\$ 718</b>	<b>\$ 1,116</b>	<b>\$ 2,244</b>	<b>\$ 3,360</b>	<b>\$ 2,642</b>
<b>Gas Distribution Fund</b>					
Net Sales to date *	\$ 15,518	\$ 1,745	\$ 13,228	\$ 14,973	\$ (545)
Other revenues to date	954	289	665	954	-
Purchase costs to date	-	-	-	-	-
Other expenses to date **	(18,222)	(7,693)	(11,535)	(19,227)	(1,005)
<b>Total</b>	<b>\$ (1,750)</b>	<b>\$ (5,659)</b>	<b>\$ 2,359</b>	<b>\$ (3,300)</b>	<b>\$ (1,550)</b>

\* Includes misc. sales, adjustments, discounts, and bad debt

\*\* Includes reserve transfers, salaries, allocated charges, other misc. expenses and encumbrances

**Table 6**

<b>Estimated Gas Supply Rate Stabilization Reserve</b>		
All figures in thousands (000's)		
<b>FY 06-07 Adopted Budget Beginning Balance</b>		\$ 2,506
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ 295	2,801
Net sum of Unaudited Actuals *	1,116	
<b>Current Projected Reserve Balance</b>		\$ 3,917
Net sum of Projected Activity for the remainder of the year	2,244	
<b>Estimated FY 06-07 Ending Balance</b>		\$ 6,161
<b>Adopted Budget SRSR Minimum Guideline is</b>		\$ 10,012
<b>Estimated Gas Distribution Rate Stabilization Reserve</b>		
All figures in thousands (000's)		
<b>FY 06-07 Adopted Budget Beginning Balance</b>		\$ 4,678
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ (810)	3,868
Net sum of Unaudited Actuals *	(5,659)	
<b>Current Projected Reserve Balance</b>		\$ (1,791)
Net sum of Projected Activity for the remainder of the year	2,359	
<b>Estimated FY 06-07 Ending Balance</b>		\$ 568
<b>Adopted Budget DRSR Maximum Guideline is</b>		\$ 6,266

\* Includes Encumbrances for CIP & Operations

**Gas Supply:** The \$295 thousand increase to the FY 06-07 beginning balance (Table 6) is primarily the net result of lower than expected purchase costs offset by lower non-pool sales revenues.

For FY 06-07, current projections for revenue reductions from budget are \$2.5 million. \$2.2 million is projected to be associated with market-rate customers (G-3), through a combination of reduced sales and lower forecasted market prices. Approximately \$300 thousand results from projected reductions in residential sales. These reductions are tentative due to warm weather for July through September. Cooler weather in October and November may change this outlook, and staff will continue to monitor the situation.

Due to lower expected gas market prices than the budgeted figures, staff projects a \$5.3 million reduction in purchase costs from the budget. Other expenses are currently projected to increase by \$111 thousand, reflecting projected retiree medical contributions. Based on the above, the SRSR ending balance is projected to increase by \$3.36 million (\$1.1 million in the first three months plus \$2.2 million in the rest of the year) at the end of FY 06-07.

**Gas Distribution Rate Stabilization Reserve:** The \$810 thousand decrease in the beginning balance (Table 6) primarily reflects retiree medical costs introduced at year end, offset by slightly higher sales revenues.

As sales level has been lower for the first three months, a downward anticipated revenue adjustment of the anticipated revenue target by \$545 thousand may be necessary in mid-year (Table 5). The difference in Other Expenses is due to projected additional expenses of \$1.005 million, reflecting potential retiree medical contributions not budgeted for FY 06-07. Based on the above, there is a current projected decrease of \$3.3 million (a \$5.7 million reduction in the

first three months offset by \$2.4 million in the rest of the year) in the DRSR ending balance during FY 06-07.

**Table 7**

<b>Water</b>	FY 05-06 Unaudited Actuals	FY 06-07 Adopted Budget	FY 06-07 Unaudited Actuals	Difference Of Adjusted Budget and Actuals	% Variance to Budget
	Actual	<i>Jul 06–Sep 06</i>	<i>Jul 06–Sep 06</i>		
Sales Units (Ccf)	5,208,903	1,935,000	1,906,343	(28,657)	(1.5%)
System Average Rate \$/Ccf)	\$3.92	\$4.150	\$4.153	\$0.003	0.1%
Sales Revenue	\$ 20,540,272	\$ 8,030,000	\$ 7,917,600	\$ (112,400)	(1.4%)
<u>Purchase Cost</u>	<u>6,475,000</u>	<u>2,421,962</u>	<u>2,274,779</u>	<u>(147,183)</u>	<u>(6.1%)</u>
Operating Margin	\$ 14,065,272	\$ 5,608,038	\$ 5,642,821	\$ 34,783	0.6%

**Explanation:**

FY 05-06: Sales Units of 5.2 million CCF were 2.3 percent below projections.

FY 06-07: Water sales units were 1.5 percent lower than the adopted budget figures through September. Consequently, sales revenues and purchase costs are lower than the budget projections by 1.4 percent and 6.1 percent respectively. The net impact of the above is an increase in the Operating Margin of \$35 thousand, or 0.6 percent.

**Table 8**

<b>Water - Operating Activity</b>	All figures in thousands (000's)				
	Adopted Budget <i>FY 06-07</i>	Unaudited Actuals <i>Jul 06–Sep 06</i>	Projected Activity <i>Oct 06-Jun 07</i>	Projected FY 2006-07 Activity	Variance to Budget
<b>Water Fund</b>					
Net Sales to date *	\$ 22,312	\$ 7,920	\$ 14,280	\$ 22,200	\$ (112)
Other revenues to date	2,043	625	1,418	2,043	-
Purchase costs to date	(6,813)	(2,275)	(5,367)	(7,641)	(828)
Other expenses to date **	(17,100)	(5,083)	(12,672)	(17,755)	(655)
<b>Total</b>	\$ 442	\$ 1,187	\$ (2,340)	\$ (1,153)	\$ (1,595)

\* Includes misc. sales, adjustments, discounts, and bad debt

\*\* Includes reserve transfers, salaries, allocated charges, other misc. expenses, and encumbrances

**Table 9**

<b>Estimated Water Rate Stabilization Reserve</b>		
All figures in thousands (000's)		
<b>FY 06-07 Adopted Budget Beginning Balance</b>		\$ 5,454
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ (1,311)	4,143
Net sum of Unaudited Actuals *	1,187	
<b>Current Projected Reserve Balance</b>		<b>\$ 5,330</b>
Net sum of Projected Activity for the remainder of the year	(2,340)	
	<b>Estimated FY 06-07 Ending Balance</b>	<b>\$ 2,990</b>
	<b>Adopted Budget RSR Minimum Guideline is</b>	<b>\$ 7,108</b>

\* Includes Encumbrances for CIP & Operations

The \$1.3 million change to the FY 06-07 beginning balance is net effect of lower than expected sales in FY 05-06, as well as additional expenses booked for retiree medical costs. Accounting activity figures to date reflect what has been booked into the City's accounting system. These figures are preliminary until the outside auditors have finished their review and the CAFR is produced.

Purchase costs are projected to be higher by \$828 thousand for the remaining months of the fiscal year; this increase is due to the fact that SFPUC raised wholesale water rates after our budget process had been completed. In addition, Other Expenses have been adjusted higher by \$655 thousand to account for projected retiree medical expenses. The net effect of these is a projected \$1.2 million drawdown (\$1.2 million in the first three months reduced by \$2.3 million in the rest of the year) on reserves.

**Table 10**

<b>Fiber - Operating Activity</b>	All figures in thousands (000's)				
	Adopted Budget <i>FY 06-07</i>	Unaudited Actuals <i>Jul 06-Sep 06</i>	Projected Activity <i>Oct 06-Jun 07</i>	Projected FY 2006-07 Activity	Variance to Budget
<b>Fiber Fund</b>					
Net Sales to date *	\$ 1,471	\$ 465	\$ 1,006	\$ 1,471	\$ -
Other revenues to date	33	35	-	35	2
Other expenses to date **	(1,073)	(325)	(748)	(1,073)	-
Total	\$ 431	\$ 175	\$ 258	\$ 433	\$ 2

\* Includes misc. sales, adjustments, discounts, and bad debt

\*\* Includes reserve transfers, salaries, allocated charges, other misc. expenses, and encumbrances

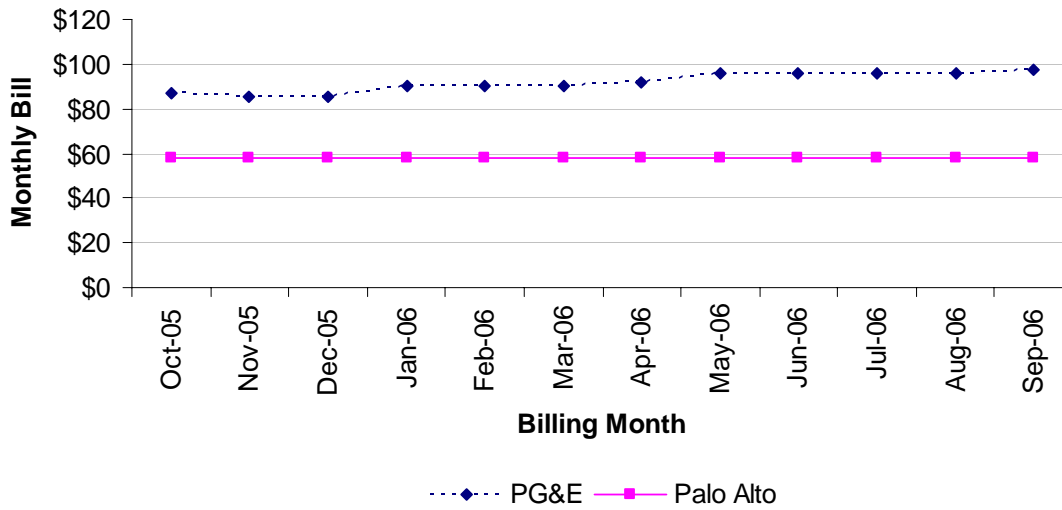
**Table 11**

<b>Estimated Fiber Rate Stabilization Reserve</b>		
All figures in thousands (000's)		
<b>FY 06-07 Adopted Budget Beginning Balance</b>		\$ -
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ 957	957
Net sum of Unaudited Actuals *	175	
<b>Current Projected Reserve Balance</b>		<b>\$ 1,132</b>
Net sum of Projected Activity for the remainder of the year	258	
<b>Estimated FY 06-07 Ending Balance</b>		<b>\$ 1,390</b>

\* Includes Encumbrances for CIP & Operations

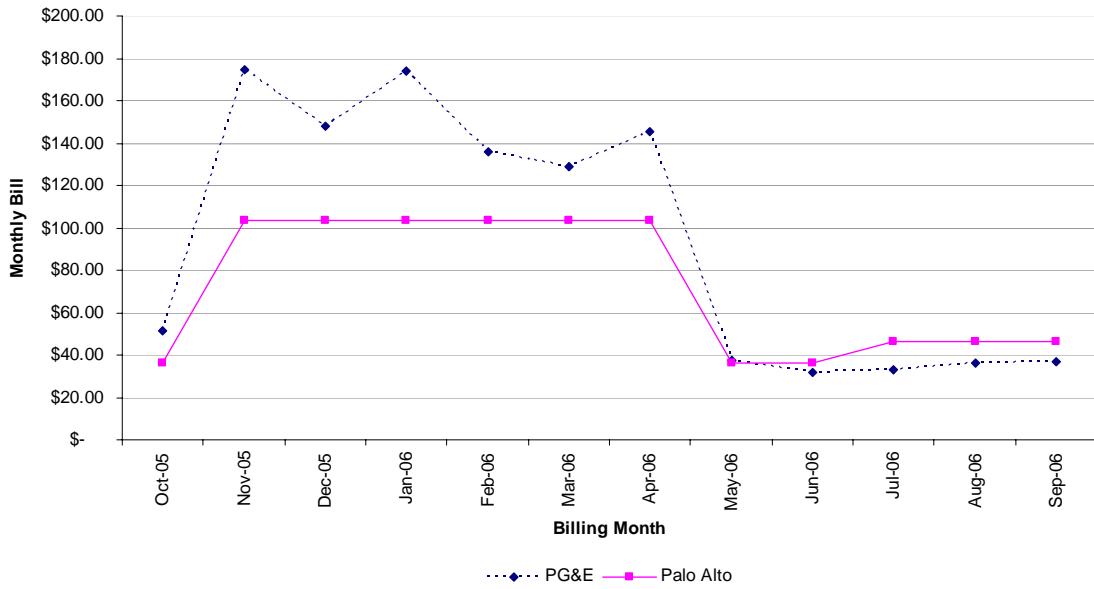
## Residential Electric Bill Comparison

Based on 650 Kwh/Mo



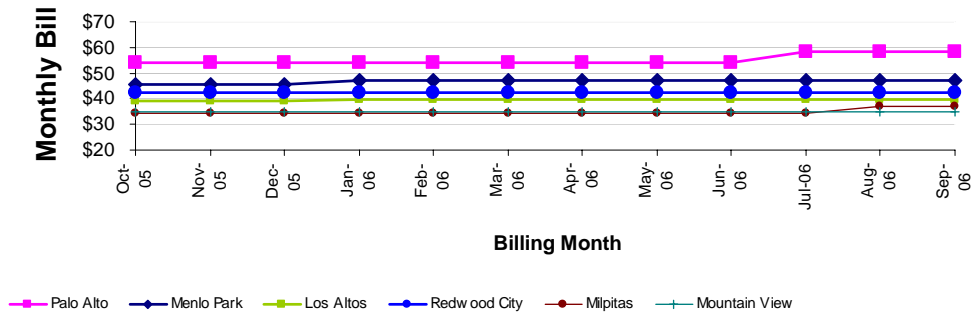
## Residential Gas Bill Comparison

Based on 100 therms winter & 30 therms summer



## Residential Water Bill Comparison

Based on 14 Ccf/Mo



## CIP Reserve Balances

<b>Water</b>	Ending FY 03-04	Ending FY 04-05	Unaudited FY 05-06
Re-appropriations	13,622	10,584	10,615
Commitments	2,163	5,523	2,815
Returns to RSR	-	(1,138)	(152)
CIP Reserve Balance	15,785	14,969	13,277

<b>Gas</b>	Ending FY 03-04	Ending FY 04-05	Unaudited FY 05-06
Re-appropriations	1,146	1,903	4,130
Commitments	3,946	1,642	39
Returns to RSR	-	(46)	(202)
CIP Reserve Balance	5,092	3,499	3,967

<b>Electric</b>	Ending FY 03-04	Ending FY 04-05	Unaudited FY 05-06
Re-appropriations	9,295	15,246	5,811
Commitments	7,698	1,835	3,156
Returns to RSR	(537)	(6,689)	(200)
CIP Reserve Balance	16,456	10,392	8,767