

**Quarterly Financial Information Update
June 2007**

Figures reflect data collected and recorded in SAP through March, 2006. The year end 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.

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 seven months of actual and two months of estimated costs for the period of February and March. 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 nine months of actual data.

Significant adjustments to the RSR balances may take place as actual costs become known. Those adjustments could include changes in purchase costs, 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.

Table 1

Electric -Retail-	FY 05-06 Audited Actuals	FY 06-07 Adopted Budget	FY 06-07 Unaudited Actuals	Difference of Adopted Budget and Actuals	% Variance to Budget
		<i>Jul 06-Mar 07</i>	<i>Jul 06-Mar 07</i>		
Retail Sales Units (kWh)	966,110,331	723,359,116	738,447,933	15,088,817	2.1%
System Average Retail Rate (\$/kWh)	\$0.0880	\$0.08853	\$0.08958	\$0.00104	1.2%

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 March were slightly higher than adopted budget projections by 2.1 percent.

Table 2

Electric - Operating Activity	All figures in thousands (000's)				
	Adjusted Budget <i>FY 06-07</i>	Unaudited Actuals <i>Jul 06-Mar 07</i>	Projected Activity <i>Apr 07-Jun 07</i>	Projected FY 2006-07 Activity	Variance to Budget
Electric Supply Fund					
Net Sales to date *	\$ 55,294	\$ 42,185	\$14,155	\$ 56,741	\$ 1,446
Other revenues to date	10,648	6,289	1,562	7,850	(2,798)
Purchase costs to date to serve retail load	(55,273)	(39,146)	(13,208)	(52,354)	2,919
Other expenses to date **	(21,220)	(12,966)	(6,565)	(19,532)	1,688
Surplus Energy costs to date	(984)	(4,197)	(112)	(4,308)	(3,324)
Surplus Energy revenues to date	2,471	5,358	0	5,358	2,887
Total	\$ (9,063)	\$ (2,477)	\$ (3,768)	\$ (6,245)	\$ 2,819
Electric Distribution Fund					
Net Sales to date *	\$ 30,583	\$ 23,466	\$ 7,281	\$ 30,747	\$ 164
Other revenues to date	4,001	3,143	858	4,001	-
Other expenses to date **	(38,599)	(26,306)	(13,163)	(39,468)	(869)
Total	\$ (4,015)	\$ 304	\$ (5,024)	\$ (4,720)	\$ (705)

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

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

Table 3

Estimated Electric Supply Rate Stabilization Reserve		
All figures in thousands (000's)		
FY 06-07 Adopted Budget Beginning Balance		
		\$ 44,098
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ 20,444	64,542
Net sum of Unaudited Actuals *	(2,477)	
Current Projected Reserve Balance		\$ 62,065
Net sum of Projected Activity for the remainder of the year	(3,768)	
Estimated FY 2006-07 Ending Balance		\$ 58,297
Adopted Budget SRSR Maximum Guideline		\$ 56,933
Estimated Electric Distribution Rate Stabilization Reserve		
All figures in thousands (000's)		
FY 06-07 Adopted Budget Beginning Balance		
		\$ 11,700
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ (376)	11,324
Net sum of Unaudited Actuals *	304	
Current Projected Reserve Balance		\$ 11,628
Net sum of Projected Activity for the remainder of the year	164	
Estimated FY 2006-07 Ending Balance		\$ 6,604
Adopted Budget DRSR Minimum Guideline		\$ 5,433

* 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 at the end of FY 06-07 is expected to be lower than the budgeted amounts by \$2.819 million. The current year end drawdown is projected to be \$6.2 million, an improvement from the projected budgeted figure of \$8.951 million. The lower drawdown is primarily the result of cost savings due to lower transmission related costs (purchase costs to serve load lower by \$2.9 million). The cost savings due to the higher level of hydro production due to a extremely wet conditions in 2006 was offset by higher purchase cost due to make up lower than expected hydro production during the first half of 2007.

Surplus energy revenues are \$2.8 million higher primarily due to higher than expected hydro production during the summer 2006. However, the imputed surplus energy costs also increased correspondingly by \$3.3 million. Other expenses were decreased by \$1.7 million primarily due to lower CVP advances and joint agency debt costs. Bill credits/refund of advances from the CVP are also projected to be lower by \$2.8 million. In addition, increased electric sales have contributed \$1.4 million in greater sales revenues through March.

Electric Distribution: The \$869 thousand projected expense increase is the impact of retiree medical costs. The net result of current projections is a decrease of \$4.7 million to the ending balance of the DRSR.

Table 4

Gas -Retail-	FY 05-06 Audited Actuals	FY 06-07 Adjusted Budget	FY 06-07 Unaudited Actuals	Difference Of Adjusted Budget and Actuals	% Variance to Budget
	Actual	<i>Jul 06-Mar 07</i>	<i>Jul 06-Mar 07</i>		
Sales Units (Therms)	31,512,766	23,582,000	24,543,512	961,512	4.1%
System Average Rate (\$/Therm)	\$1.15	\$1.317	\$1.315	\$ (0.002)	(0.1%)

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Explanation:

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

FY 06-07: Sales units through March are higher than adjusted budget projections by 4.1 percent. Warmer weather at the beginning part of the year had resulted in lower sales along with loss of some large customer loads. Subsequently, adopted budget sales unit projections were adjusted downward at the midyear budget process by 1.235 million therms, or 5 percent. Cooler winter weather has since brought sales closer to pre-adjustment levels.

Table 5

Gas - Operating Activity	All figures in thousands (000's)				
	Adjusted Budget <i>FY 06-07</i>	Unaudited Actuals <i>Jul 06-Mar 07</i>	Projected Activity <i>Apr 07-Jun 07</i>	Projected FY 2006-07 Activity	Variance to Budget
Gas Supply Fund					
Net Sales to date *	\$ 25,672	\$ 21,978	\$ 4,422	\$ 26,400	\$ 728
Other revenues to date	149	173	(24)	149	-
Purchase costs to date	(22,439)	(17,675)	(4,719)	(22,394)	46
Other expenses to date **	(963)	(3,565)	2,549	(1,016)	(53)
Total	\$ 2,418	\$ 911	\$ 2,228	\$ 3,139	\$ 721
Gas Distribution Fund					
Net Sales to date *	\$ 14,978	\$ 10,337	\$ 5,136	\$ 15,473	\$ 495
Other revenues to date	954	930	24	954	-
Purchase costs to date	-	-	-	-	-
Other expenses to date **	(18,237)	(12,589)	(5,781)	(18,369)	(132)
Total	\$ (2,305)	\$ (1,321)	\$ (621)	\$ (1,942)	\$ 363

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

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

Table 6

Estimated Gas Supply Rate Stabilization Reserve		
All figures in thousands (000's)		
FY 06-07 Adopted Budget Beginning Balance		\$ 2,506
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ 295	2,801
Net sum of Unaudited Actuals *	911	
Current Projected Reserve Balance		\$ 3,712
Net sum of Projected Activity for the remainder of the year	2,228	
Estimated FY 06-07 Ending Balance		\$ 5,940
Adopted Budget SRSR Minimum Guideline is		\$ 10,012
Estimated Gas Distribution Rate Stabilization Reserve		
All figures in thousands (000's)		
FY 06-07 Adopted Budget Beginning Balance		\$ 4,678
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ (810)	3,868
Net sum of Unaudited Actuals *	(1,321)	
Current Projected Reserve Balance		\$ 2,547
Net sum of Projected Activity for the remainder of the year	(621)	
Estimated FY 06-07 Ending Balance		\$ 1,926
Adopted Budget DRSR Minimum Guideline is		\$ 3,133

* 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.

Due to warmer weather and reduced customer load in the early part of FY 06-07, budgeted revenues were reduced by \$2.7 million at the midyear budget process. Corresponding, expected gas market purchases were also reduced by \$4.35 million. Since that time, cooler winter temperatures have led to better than expected sales levels of \$728 thousand through March.

Market prices have remained relatively stable, and current estimates show that costs will be \$46 thousand below the adjusted budget. Other expenses are currently projected to increase by \$53 thousand, reflecting projected retiree medical contributions. Based on the above, the SRSR ending balance is projected to increase by \$3.14 million 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.

While revenues were adjusted downward at the midyear process by \$540 thousand due to warmer weather and reduced load, activity has nearly recovered, resulting in higher sales through March of \$495 thousand (Table 5). The difference in Other Expenses is due to projected additional expenses of \$132 thousand, reflecting potential retiree medical contributions not budgeted for FY 06-07. Based on the above, there is a current projected decrease of \$1.9 million in the DRSR ending balance during FY 06-07.

Table 7

Water	FY 05-06 Audited Actuals	FY 06-07 Adjusted Budget	FY 06-07 Unaudited Actuals	Difference Of Adjusted Budget and Actuals	% Variance to Budget
	Actual	<i>Jul 06–Mar 07</i>	<i>Jul 06 –Mar 07</i>		
Sales Units (CCF)	5,208,903	4,001,000	3,992,123	(8,877)	(0.2%)
System Average Rate (\$/CCF)	\$3.92	\$4.161	\$4.164	\$0.003	0.1%

Explanation:

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

FY 06-07: Water sales units were 0.2 percent lower than the budget figures through March.

Table 8

Water - Operating Activity	All figures in thousands (000's)				
	Adjusted Budget <i>FY 06-07</i>	Unaudited Actuals <i>Jul 06–Mar 07</i>	Projected Activity <i>Apr 07–Jun 07</i>	Projected FY 2006-07 Activity	Variance to Budget
Water Fund					
Net Sales to date *	\$ 22,312	\$ 16,614	\$ 5,674	\$ 22,288	\$ (24)
Other revenues to date	2,043	1,691	352	2,043	-
Purchase costs to date	(7,642)	(4,768)	(2,974)	(7,741)	(100)
Other expenses to date **	(17,231)	(11,166)	3,250	(7,916)	9,315
Total	\$ (517)	\$ 2,371	\$ 6,302	\$ 8,673	\$ 9,191

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

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

Table 9

Estimated Water Rate Stabilization Reserve		
All figures in thousands (000's)		
FY 06-07 Adopted Budget Beginning Balance		\$ 5,454
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ (1,311)	4,143
Net sum of Unaudited Actuals *	2,371	
Current Projected Reserve Balance		\$ 6,514
Net sum of Projected Activity for the remainder of the year	6,302	
	Estimated FY 06-07 Ending Balance	\$ 12,816
	Adopted Budget RSR Maximum Guideline is	\$ 14,216

* 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 \$100 thousand for the remaining months of the fiscal year. In addition, Other Expenses have been adjusted downward by \$9.3 million to account for money being returned from closed water CIP projects and joint wastewater treatment projects (\$8.5 million and \$1 million, respectively), offset by projected retiree medical expenses and a budget amendment to a Water CIP (\$100k and \$85k, respectively). The net effect of these is a projected \$9.2 million addition to reserves from adjusted budget figures.

Table 10

Fiber - Operating Activity	All figures in thousands (000's)				
	Adjusted Budget FY 06-07	Unaudited Actuals Jul 06-Mar 07	Projected Activity Apr 07-Jun 07	Projected FY 2006-07 Activity	Variance to Budget
Fiber Fund					
Net Sales to date *	\$ 1,471	\$ 1,552	\$ 511	\$ 2,064	\$ 593
Other revenues to date	33	107	(74)	33	-
Other expenses to date **	(1,078)	(1,100)	(8)	(1,109)	(31)
Total	\$ 426	\$ 559	\$ 429	\$ 988	\$ 562

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

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

Table 11

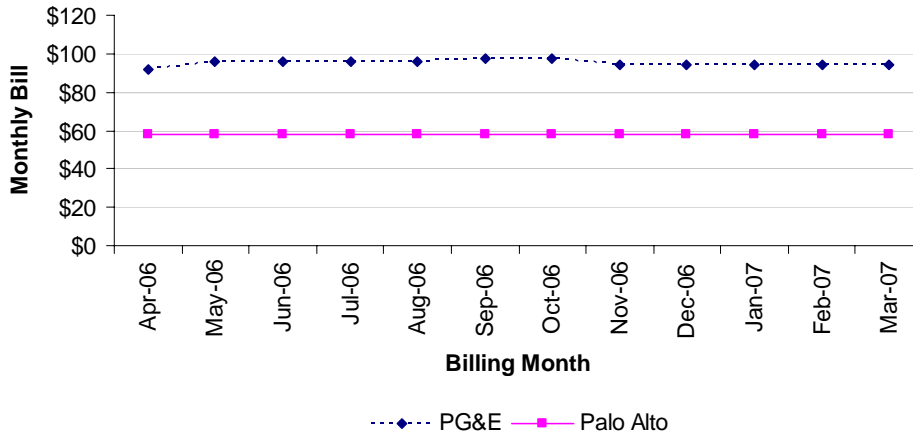
Estimated Fiber Rate Stabilization Reserve		
All figures in thousands (000's)		
FY 06-07 Adopted Budget Beginning Balance		\$ -
Changes to FY 06-07 Beginning Balance per FY 05-06 CAFR	\$ 957	957
Net sum of Unaudited Actuals *	559	
Current Projected Reserve Balance		\$ 1,516
Net sum of Projected Activity for the remainder of the year	429	
Estimated FY 06-07 Ending Balance		\$ 1,945

* Includes Encumbrances for CIP & Operations

The \$593 thousand projected increase to sales revenue is a result of increased rates in September, as well as the addition of new fiber customers. Current projections for additional retiree medical expenses are at \$31 thousand. The net effect of these is a projected \$988 thousand addition to reserves from adjusted budget figures.

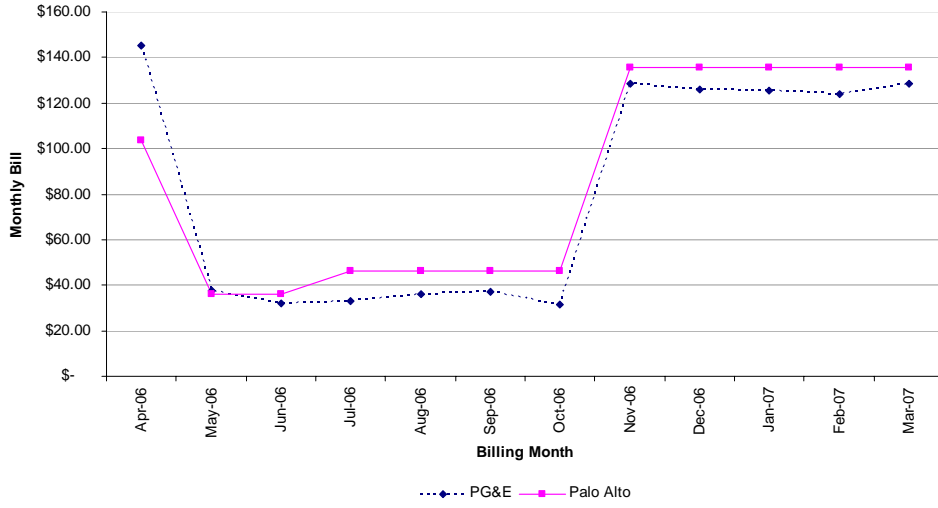
Residential Electric Bill Comparison

Based on 650 Kwh/Mo



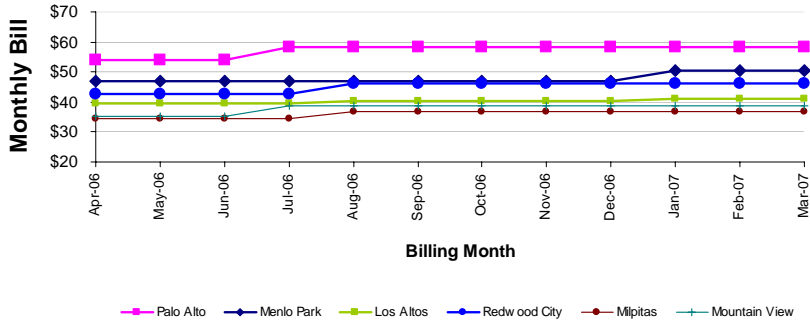
Residential Gas Bill Comparison

Based on 100 therms winter & 30 therms summer



Residential Water Bill Comparison

Based on 14 Ccf/Mo



CIP Reserve Balances

Water	Ending FY 03-04	Ending FY 04-05	Ending FY 05-06
Re-appropriations	13,622	10,584	10,615
Commitments	2,163	5,523	2,581
Returns to RSR	-	(1,138)	(152)
CIP Reserve Balance	15,785	14,969	13,044

Gas	Ending FY 03-04	Ending FY 04-05	Ending FY 05-06
Re-appropriations	1,146	1,903	4,146
Commitments	3,946	1,642	692
Returns to RSR	-	(46)	(218)
CIP Reserve Balance	5,092	3,499	4,620

Electric	Ending FY 03-04	Ending FY 04-05	Ending FY 05-06
Re-appropriations	9,295	15,246	8,303
Commitments	7,698	1,835	3,641
Returns to RSR	(537)	(6,689)	(2,616)
CIP Reserve Balance	16,456	10,392	9,328