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UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION

MI0029

PERIOD ENDED December, 2012 (Prepared with Audited Data)

BORROWER NAME

The Ontonagon County Rural Electrification Ass

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

☒ All of the obligations under the RUS loan documents have been fulfilled in all material respects.

☐ There has been a default in the fulfillment of obligations under the RUS loan documents. Said defaults are specifically described in Part D of this report.

Deborah Miller

4/30/2013
DATE

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MAY 01 2013
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FINANCIAL ANALYSIS AND
AUDIT DIVISION

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	5,077,476	5,523,019	5,681,949	506,939
2. Power Production Expense				
3. Cost of Purchased Power	2,442,813	2,407,950	2,362,800	202,323
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	179,694	356,886	463,000	26,855
7. Distribution Expense - Maintenance	613,155	471,460	543,328	23,074
8. Customer Accounts Expense	184,332	279,495	197,424	63,932
9. Customer Service and Informational Expense	14,578	22,484	18,000	1,112
10. Sales Expense	104			
11. Administrative and General Expense	493,744	542,743	508,300	64,603
12. Total Operation & Maintenance Expense (2 thru 11)	3,928,420	4,081,018	4,092,852	381,899
13. Depreciation and Amortization Expense	628,531	643,318	653,200	54,399
14. Tax Expense - Property & Gross Receipts	193,163	199,794	193,500	14,608
15. Tax Expense - Other	(1,818)	(250)	9,000	(5,600)
16. Interest on Long-Term Debt	579,581	577,603	513,504	50,206
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	67,303	55,393	63,600	(895)
19. Other Deductions	1,296	1,296	1,296	108
20. Total Cost of Electric Service (12 thru 19)	5,396,476	5,558,172	5,526,952	494,725
21. Patronage Capital & Operating Margins (1 minus 20)	(319,000)	(35,153)	154,997	12,214
22. Non Operating Margins - Interest	2,784	3,449	3,400	897
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments	27,654	50,841	26,000	21,735
25. Non Operating Margins - Other	39,237	98,118	60,000	35,783
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	15,824	24,993	14,500	6,406
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	(233,501)	142,248	258,897	77,035

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MI0029		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2012		
PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	53	41	5. Miles Transmission		
2. Services Retired	1	3	6. Miles Distribution – Overhead	791.96	811.49
3. Total Services in Place	5,736	5,775	7. Miles Distribution - Underground	133.30	129.91
4. Idle Services (Exclude Seasonals)	579	604	8. Total Miles Energized (5 + 6 + 7)	925.26	941.40
PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	21,172,769		30. Memberships	22,375	
2. Construction Work in Progress	1,127,857		31. Patronage Capital	2,103,802	
3. Total Utility Plant (1 + 2)	22,300,626		32. Operating Margins - Prior Years	0	
4. Accum. Provision for Depreciation and Amort.	6,575,640		33. Operating Margins - Current Year	27,496	
5. Net Utility Plant (3 - 4)	15,724,986		34. Non-Operating Margins	114,752	
6. Non-Utility Property (Net)	0		35. Other Margins and Equities	32,497	
7. Investments in Subsidiary Companies	66,554		36. Total Margins & Equities (30 thru 35)	2,300,922	
8. Invest. in Assoc. Org. - Patronage Capital	451,698		37. Long-Term Debt - RUS (Net)	2,392,826	
9. Invest. in Assoc. Org. - Other - General Funds	68,221		38. Long-Term Debt - FFB - RUS Guaranteed	0	
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	0		39. Long-Term Debt - Other - RUS Guaranteed	0	
11. Investments in Economic Development Projects	0		40. Long-Term Debt Other (Net)	10,590,920	
12. Other Investments	0		41. Long-Term Debt - RUS - Econ. Devel. (Net)	0	
13. Special Funds	0		42. Payments – Unapplied	0	
14. Total Other Property & Investments (6 thru 13)	586,473		43. Total Long-Term Debt (37 thru 41 - 42)	12,983,746	
15. Cash - General Funds	64,501		44. Obligations Under Capital Leases - Noncurrent	0	
16. Cash - Construction Funds - Trustee	19		45. Accumulated Operating Provisions and Asset Retirement Obligations	0	
17. Special Deposits	0		46. Total Other Noncurrent Liabilities (44 + 45)	0	
18. Temporary Investments	0		47. Notes Payable	1,250,000	
19. Notes Receivable (Net)	0		48. Accounts Payable	256,006	
20. Accounts Receivable - Sales of Energy (Net)	616,623		49. Consumers Deposits	14,110	
21. Accounts Receivable - Other (Net)	68,916		50. Current Maturities Long-Term Debt	422,000	
22. Renewable Energy Credits	0		51. Current Maturities Long-Term Debt - Economic Development	0	
23. Materials and Supplies - Electric & Other	276,539		52. Current Maturities Capital Leases	0	
24. Prepayments	51,803		53. Other Current and Accrued Liabilities	337,843	
25. Other Current and Accrued Assets	0		54. Total Current & Accrued Liabilities (47 thru 53)	2,279,959	
26. Total Current and Accrued Assets (15 thru 25)	1,078,401		55. Regulatory Liabilities	22,341	
27. Regulatory Assets	0		56. Other Deferred Credits	28,057	
28. Other Deferred Debits	225,165		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	17,615,025	
29. Total Assets and Other Debits (5+14+26 thru 28)	17,615,025				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION MI0029
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2012
PART D. NOTES TO FINANCIAL STATEMENTS	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION M10029
INSTRUCTIONS - See help in the online application.	PERIOD ENDED December, 2012
PART D. CERTIFICATION LOAN DEFAULT NOTES	

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

BORROWER DESIGNATION MI0029

PERIOD ENDED December, 2012

INSTRUCTIONS - See help in the online application.

PART E. CHANGES IN UTILITY PLANT

PLANT ITEM	BALANCE BEGINNING OF YEAR (a)	ADDITIONS (b)	RETIREMENTS (c)	ADJUSTMENTS AND TRANSFERS (d)	BALANCE END OF YEAR (e)
1. Distribution Plant	18,716,130	453,124	57,420		19,111,834
2. General Plant	1,630,037	6,821			1,636,858
3. Headquarters Plant	317,378	105,350			422,728
4. Intangibles	1,349				1,349
5. Transmission Plant	0				0
6. Regional Transmission and Market Operation Plant					
7. All Other Utility Plant	0				0
8. Total Utility Plant in Service (1 thru 7)	20,664,894	565,295	57,420		21,172,769
9. Construction Work in Progress	728,176	399,680			1,127,856
10. Total Utility Plant (8 + 9)	21,393,070	964,975	57,420		22,300,625

PART F. MATERIALS AND SUPPLIES

ITEM	BALANCE BEGINNING OF YEAR (a)	PURCHASED (b)	SALVAGED (c)	USED (NET) (d)	SOLD (e)	ADJUSTMENT (f)	BALANCE END OF YEAR (g)
1. Electric	253,021	112,729		97,652		1,575	269,673
2. Other	8,824	505			2,463		6,866

PART G. SERVICE INTERRUPTIONS

ITEM	AVERAGE MINUTES PER CONSUMER BY CAUSE				TOTAL (e)
	POWER SUPPLIER (a)	MAJOR EVENT (b)	PLANNED (c)	ALL OTHER (d)	
1. Present Year	132.000	118.000	11.000	114.000	375.000
2. Five-Year Average	227.000	154.000	24.000	93.000	498.000

PART H. EMPLOYEE-HOUR AND PAYROLL STATISTICS

1. Number of Full Time Employees	12	4. Payroll - Expensed	451,674
2. Employee - Hours Worked - Regular Time	24,908	5. Payroll - Capitalized	260,869
3. Employee - Hours Worked - Overtime	1,361	6. Payroll - Other	194,540

PART I. PATRONAGE CAPITAL

ITEM	DESCRIPTION	THIS YEAR (a)	CUMULATIVE (b)
1. Capital Credits - Distributions	a. General Retirements		
	b. Special Retirements		
	c. Total Retirements (a + b)		
2. Capital Credits - Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power		
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	11,481	
	c. Total Cash Received (a + b)	11,481	

PART J. DUE FROM CONSUMERS FOR ELECTRIC SERVICE

1. Amount Due Over 60 Days	\$ 59,298	2. Amount Written Off During Year	\$ 77,608
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UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION					BORROWER DESIGNATION MI0029				
INSTRUCTIONS - See help in the online application					PERIOD ENDED December, 2012				
PART K. kWh PURCHASED AND TOTAL COST									
No	ITEM	SUPPLIER CODE	RENEWABLE ENERGY PROGRAM NAME	RENEWABLE FUEL TYPE	kWh PURCHASED	TOTAL COST	AVERAGE COST (Cents/kWh)	INCLUDED IN TOTAL COST - FUEL COST ADJUSTMENT	INCLUDED IN TOTAL COST - WHEELING AND OTHER CHARGES
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Wisconsin Public Service Corp	20860			25,543,570	1,744,140	6.83		
2	Wisconsin Electric Power Co	20847			3,081,036	272,042	8.83		
3	Upper Peninsula Power Company	19578				391,767	0.00		
	Total				28,624,606	2,407,949	8.41		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0029	
INSTRUCTIONS - See help in the online application		PERIOD ENDED December, 2012	
PART K. kWh PURCHASED AND TOTAL COST			
No	Comments		
1			
2			
3			

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0029	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2012	
PART L. LONG-TERM LEASES			
No	NAME OF LESSOR (a)	TYPE OF PROPERTY (b)	RENTAL THIS YEAR (c)
	TOTAL		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		BORROWER DESIGNATION MI0029	
INSTRUCTIONS - See help in the online application.		PERIOD ENDED December, 2012	
PART M. ANNUAL MEETING AND BOARD DATA			
1. Date of Last Annual Meeting 6/16/2012	2. Total Number of Members 4,500	3. Number of Members Present at Meeting 68	4. Was Quorum Present? N
5. Number of Members Voting by Proxy or Mail 108	6. Total Number of Board Members 7	7. Total Amount of Fees and Expenses for Board Members \$ 53,035	8. Does Manager Have Written Contract? N

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MI0029		
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2012		
PART N. LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS					
No	ITEM	BALANCE END OF YEAR (a)	INTEREST (Billed This Year) (b)	PRINCIPAL (Billed This Year) (c)	TOTAL (Billed This Year) (d)
1	Rural Utilities Service (Excludes RUS - Economic Development Loans)	2,392,826	159,228	191,540	350,768
2	National Rural Utilities Cooperative Finance Corporation	238,353	14,508	9,842	24,350
3	CoBank, ACB	10,003,612	226,625	314,065	540,690
4	Federal Financing Bank				
5	RUS - Economic Development Loans				
6	Payments Unapplied				
7	FASB - 106	348,955			
	TOTAL	12,983,746	400,361	515,447	915,808

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0029		
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION		PERIOD ENDED December, 2012		
INSTRUCTIONS - See help in the online application.				
PART O. POWER REQUIREMENTS DATABASE - ANNUAL SUMMARY				
CLASSIFICATION	CONSUMER SALES & REVENUE DATA	DECEMBER (a)	AVERAGE NO. CONSUMERS SERVED (b)	TOTAL YEAR TO DATE (c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	3,216	3,222	
	b. kWh Sold			18,236,755
	c. Revenue			3,931,663
2. Residential Sales - Seasonal	a. No. Consumers Served	1,293	1,283	
	b. kWh Sold			1,935,297
	c. Revenue			622,146
3. Irrigation Sales	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	205	203	
	b. kWh Sold			4,981,243
	c. Revenue			903,687
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
6. Public Street & Highway Lighting	a. No. Consumers Served	138	138	
	b. kWh Sold			111,564
	c. Revenue			17,394
7. Other Sales to Public Authorities	a. No. Consumers Served	25	25	
	b. kWh Sold			65,026
	c. Revenue			16,534
8. Sales for Resale - RUS Borrowers	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
9. Sales for Resale - Other	a. No. Consumers Served			
	b. kWh Sold			
	c. Revenue			
10. Total No. of Consumers (lines 1a thru 9a)		4,877	4,871	
11. Total kWh Sold (lines 1b thru 9b)				25,329,885
12. Total Revenue Received From Sales of Electric Energy (lines 1c thru 9c)				5,491,424
13. Transmission Revenue				
14. Other Electric Revenue				31,596
15. kWh - Own Use				
16. Total kWh Purchased				28,624,606
17. Total kWh Generated				
18. Cost of Purchases and Generation				2,407,950
19. Interchange - kWh - Net				
20. Peak - Sum All kW Input (Metered) Non-coincident___ Coincident___				5,535

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION			BORROWER DESIGNATION MI0029			
INSTRUCTIONS - See help in the online application.			PERIOD ENDED December, 2012			
PART P. ENERGY EFFICIENCY PROGRAMS						
CLASSIFICATION	ADDED THIS YEAR			TOTAL TO DATE		
	No. of Consumers (a)	Amount Invested (b)	Estimated MMBTU Savings (c)	No. of Consumers (d)	Amount Invested (e)	Estimated MMBTU Savings (f)
1. Residential Sales (excluding seasonal)	310	47,449	649	440	65,093	1,056
2. Residential Sales - Seasonal						
3. Irrigation Sales						
4. Comm. and Ind. 1000 KVA or Less	1	9,836	213	3	14,624	350
5. Comm. and Ind. Over 1000 KVA						
6. Public Street and Highway Lighting						
7. Other Sales to Public Authorities						
8. Sales for Resale – RUS Borrowers						
9. Sales for Resale – Other						
10. Total	311	57,285	862	443	79,717	1,406

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS	BORROWER DESIGNATION MI0029 PERIOD ENDED December, 2012
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INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.

PART Q. SECTION I. INVESTMENTS (See Instructions for definitions of Income or Loss)					
No	DESCRIPTION (a)	INCLUDED (\$) (b)	EXCLUDED (\$) (c)	INCOME OR LOSS (\$) (d)	RURAL DEVELOPMENT (e)
2	Investments in Associated Organizations				
	Federated Rural Electric Insurance Exchange	21,612			
	National Informational Solutions Cooperative	27,965			
	Michigan Electric Cooperative Assn	5,080			
	NRUCFC (Pat Cap, Memb Cert & CTC's)	23,973	68,222		
	RESCO	64			
	Settlers Cooperative Inc.	510			
	American Transmission Company	411,442			
	CoBank	14,106			
	Cooperative Response Center	12,500			
	NRUCFC-Membership	1,000			
	Totals	518,252	68,222		
6	Cash - General				
	Checking, Savings & Working Funds		64,501		
	Totals		64,501		
9	Accounts and Notes Receivable - NET				
	Various		68,915		
	Totals		68,915		
11	TOTAL INVESTMENTS (1 thru 10)	518,252	201,638		

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0029			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2012			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
PART Q. SECTION II. LOAN GUARANTEES					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
	TOTAL				
	TOTAL (Included Loan Guarantees Only)				

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE		BORROWER DESIGNATION MI0029			
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION INVESTMENTS, LOAN GUARANTEES AND LOANS		PERIOD ENDED December, 2012			
INSTRUCTIONS - Reporting of investments is required by 7 CFR 1717, Subpart N. Investment categories reported on this Part correspond to Balance Sheet items in Part C. Identify all investments in Rural Development with an 'X' in column (e). Both 'Included' and 'Excluded' Investments must be reported. See help in the online application.					
SECTION III. RATIO					
RATIO OF INVESTMENTS AND LOAN GUARANTEES TO UTILITY PLANT [Total of Included Investments (Section I, 11b) and Loan Guarantees - Loan Balance (Section II, 5d) to Total Utility Plant (Line 3, Part C) of this report]					2.32 %
SECTION IV. LOANS					
No	ORGANIZATION (a)	MATURITY DATE (b)	ORIGINAL AMOUNT (\$) (c)	LOAN BALANCE (\$) (d)	RURAL DEVELOPMENT (e)
1	Employees, Officers, Directors				
2	Energy Resources Conservation Loans				
	TOTAL				