

Chairman's Report for 2007



Brian Fetz
Chairman 2007

Throughout 2007, we focused on maintaining the District's water and electric systems while considering steps to meet our future service requirements. These requirements include growth, maintenance of our electric and water systems, and responding to increased governmental regulation. There continued to be growth in the District in 2007 with Vera seeing an increase in the number of customers; 196 new electric customers totaling 9,598 and 165 new water customers totaling 7,537. We welcome all our new members to the Vera community where we strive to deliver the highest quality service at the lowest cost.

Of particular focus this past year were projects to upgrade the water system. Our water system gets very high marks from the Department of Health for water quality and availability, but to maintain these high standards, upgrading and development to the system will be an ongoing effort. Our projects last year addressed increasing capacity, improving response and efficiency as well as to position us better in addressing future regulations as conservation requirements are applied. The first of these projects was

the rehabilitation of Well No. 3 at 16th Avenue and Evergreen Road. This was a major project to protect the well as a key source in our system as it is positioned over a highly productive area of the Aquifer. The project included cleaning and restoring the well's interior, and upgrading to higher horse power, variable speed pumps that perform automatically and more efficiently. The well, which was originally hand dug in 1918, has now been on line since April 2007. Other projects include rebuilding Well No. 33 to triple the discharge capacity of the well. In 2007, a new program for metering all water used through fire hydrants was developed and hydrant flow meters were purchased for customers requesting the use of Vera's hydrants. Long range, these meters will assist with our record keeping required by the Water Use Efficiency Rule under the WA State "Municipal Water Law." Additionally, Vera began requiring all contractors who were using water from Vera's hydrants for construction to report all of their usage. That not only enables the District to track the water consumption for billing purposes, it also enables our Water Department to service the hydrants following their use to insure their readiness in the event of a fire emergency. The water draw requirements of the dry summer of 2007 confirmed these projects as musts in our long term plans.

To finance these projects, we explored all sources. The District issued Parity Lien (municipal-type) Water and Power Revenue and Refunding Bonds in the amount of \$2,220,000. More than \$600,000 of this was used to refund 2002 Bonds and the remaining \$1,600,000 financed most of the projects. To finance the "Well No. 3 Rehabilitation Project", the District entered into a Drinking Water State Revolving Fund (DWSRF) Municipal Loan Agreement with the Washington State Public Works Board. The total cost of the project was \$839,265. The Drinking Water State Revolving Fund (DWSRF) Loan financed \$650,000 of the project costs at 1% interest rate and the District paid \$189,265 out of its cash reserves. Finally, after analyzing the cost of these projects (particularly the Rehabilitation of Well No. 3) and our ongoing maintenance costs of the system, and understanding our responsibility to continue delivering the highest quality water into the future, we reluctantly increased water rates slightly. This increase costs customers on average \$27.00 more per year. Our rates are still amongst the lowest in our region

On the Electric side, we had two substation voltage regulators fail in the Fall of 2007, one at each of the District's Sullivan and Vera Substations. Because we were able to switch our electric load temporarily to our other substations, customers experienced only a brief outage. We were able to rent a spare regulator from another utility in the Northwest and this allowed us to return that substation to service while we waited four months for delivery of the new equipment which cost over \$40,000. This is an example of the importance of being a good utility neighbor and you should be pleased to know that when Vera gets the opportunity to assist other utilities, that the staff invariably rises to the occasion. Although we hope there will be no major equipment failures in any given year, this contingency is part of our regular budgeting and planning process.

During 2007, Vera's rental property at 602 S. Evergreen was demolished and re-landscaped as major repairs and upkeep had become expensive, and ongoing liability issues existed. That property is adjacent to the District's pole yard and Well No. 6. You will notice this park-like setting as you drive south along Evergreen Road from Sprague Avenue on the west side of the street. Its inviting presence is a symbol of the welcoming spirit we hope you will find inside Vera's office.

These examples help to demonstrate to you what goes into maintaining an electric and water system 24- hours a day, seven days a week, 365 days a year. As 2007's Board Chairman, I am privileged to be part of a team of dedicated members of your Board of Directors and the outstanding staff serving Vera Water and Power whose main goal is to provide our customers with pure, clean drinking water and dependable power at the best possible rates while maintaining a safe system. Thank you for your support!


Chairman 2007

VERA WATER AND POWER

2007 Operating Statement

<u>Revenues</u>	<u>2007</u>	<u>2006</u>
Sales of Power	\$12,016,236	\$11,743,716
Sales of Water	1,596,650	1,324,708
Sewer Service	5,781	5,658
Other Income	<u>583,788</u>	<u>573,012</u>

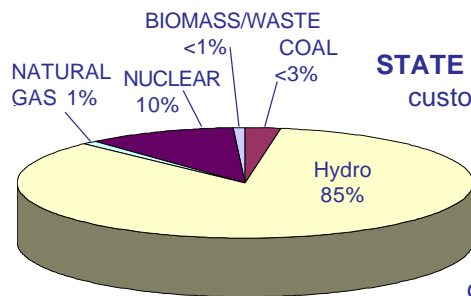
Total Revenue **14,202,455** **13,647,094**

Expenses

Cost of Power	7,250,961	7,588,402
Cost of Water	296,377	338,018
Operations/Maint.	3,053,903	2,829,379
Taxes	535,070	510,798
Depreciation	1,150,008	1,088,705
Interest	<u>241,175</u>	<u>189,752</u>

Total Expenses **12,527,494** **12,545,054**

Net Income **\$1,674,961** **\$1,102,040**



STATE law requires that all electric utilities disclose the fuel mix of their resources to their customers annually. In Vera Water & Power's case, all of our energy is purchased from the Bonneville Power Administration who in turn, provides us with an annual report of their fuel mix for power generation. This graph above illustrates the percentage of each type of fuel that is used to generate electricity and as you can see, large hydro power produced by the system of dams on the Columbia and Snake Rivers is the lion's share. The good news is that this is a completely renewable resource. Other sources of power generation include natural gas, petroleum, coal, nuclear energy, wind and small amounts of waste, and biomass fuels which are derived from plant and agricultural products.

CURRENT BOARD OF DIRECTORS

Robert Oeflein
Chairman



David Peterson
Director



Brian Fetz
Director



Floyd Schmedding
Director



Steve Wulf
Director



Kevin Wells
General Manager



HOW THE DISTRICT IS GOVERNED

The Vera Irrigation District is organized, and operates, under Chapter 87 of the Revised Code of the State of Washington. The financial and other records are audited annually by the Washington State Auditor. The District is governed by a five-member Board of Directors. The Directors are elected to serve staggered, three-year terms, by position. The Board of Directors is the policy-making body. The Board of Directors hires a general manager who is responsible for the administration and day-to-day operation of the District. All employees of the District are responsible to, and report to the general manager.

The Board of Directors meets at 7:00 PM on the second Wednesday of each month at a public meeting in the District office. It would be advisable for a customer wishing to make a presentation to the Board to call the office in order to be placed on the agenda to insure time is available for your presentation. You are welcome to attend these meetings.

2007 ANNUAL REPORT

2007 Balance Sheet

<u>Assets</u>	<u>2007</u>	<u>2006</u>
Cash & Current Assets	\$7,311,995	\$5,967,101
Restricted Reserves	1,150,573	864,154
Net Capital Assets	36,146,489	34,392,706
Debt & Bond Discount	<u>780,171</u>	<u>926,364</u>

Total Assets **\$46,815,415** **\$42,150,325**

Liabilities & Net Assets

Current Liabilities	2,430,206	2,319,687
Current Debt	1,079,372	424,823
Long Term Debt	<u>6,670,656</u>	<u>5,000,177</u>

Total Liabilities **10,180,234** **7,744,687**

Net Assets **36,635,181** **34,405,638**

Total Liabilities & Equities **\$46,815,415** **\$42,150,325**