

Financial Highlights – June, 2018

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
June Net Income	\$364	\$1,630

Analysis:

• Operating Revenue	(\$89)	\$1,105
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KWH sales in June are \$45k better than budget for the month and \$812k better YTD. The average price/KWH sold is \$188k less than budget for the month and \$197k less for the year. Degree days for the year are 11% less than normal but 5% higher than the previous year. Non-energy services, pole attachments, and wheeling revenues are \$38k better than budget for the month and \$170k better for the year. Unbilled revenues are \$1k less than budget for the month but is \$41k better YTD. The sale of Renewable Energy Credits is \$15k better than budget for the month and \$279k better YTD.

• Purchased Power Costs	\$186	(\$188)
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Purchased KWH is under budget by \$38k for the month but is \$300k over for the year. Our overall costs/KWH is \$147k under budget for the month and \$112k under YTD.

• Transmission Costs	\$114	\$370
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Transmission support for substations and supervision is under budget by \$4k for the month and \$16k under YTD. Transmission by Others is \$30k under budget for the month and \$329k under YTD. Maintenance for SCADA and overhead lines is \$1K over budget for the month and \$10k over for the year. Transmission vegetative maintenance is \$81k under budget for the month and \$35k under YTD.

• Distribution Operations/Mtce	\$62	(\$333)
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Major Storm costs are \$50k under budget for the month and \$113k under for the year. Meter/AMI Expense is \$3k under budget for the month and \$7k under YTD. Supervisory related costs are under budget by \$11k for the month and \$18 under YTD. Overall Distribution Maintenance costs are \$16k under for the month and \$400k under YTD. Miscellaneous Distribution and Customer Installation expenses are on budget for the month but is \$43k over YTD. Distribution vegetative maintenance program spending is over budget by \$17k for the month and \$828k YTD. The overall vegetative maintenance program (transmission + distribution) is \$64k under budget for the month but is \$828k over for the year.

• Customer Accounts	\$11	\$79
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Meter Reading & Disconnect Services are \$6k under budget for the month and \$23k under YTD. Member service administration is on budget for the month but is \$39k under YTD. Uncollectible Accounts are on budget for the month and YTD. Patronage Capital expenses are on budget for the month but is \$4k under for the year. Communications and SQRP Costs are \$5k under budget for the month and \$13k under for the year.

- **Administrative & General** (\$6) (\$20)

Regulatory related expense is \$10k over budget for the month and \$27k over YTD. Payroll and Benefits are \$22k under budget for the month and \$96k under YTD. Outside Services is \$6k over budget for the month and \$26k over YTD. Director Expenses are \$3k under budget for the month and \$19k under YTD. Internal costs incurred for TIER 3 Projects are \$1k over budget for the month and \$46k over YTD. Expenses for Coop-life, Business Development, Dues, and Meeting expenses are \$1k over budget for the month but is \$4k under YTD. Office related expenses are \$3k over budget for the month and YTD. Safety and Facility related expenses are over budget by \$9k for the month and \$37k over YTD.

- **Total Depreciation & Other Exp** \$23 \$10

Depreciation expense is \$6k under budget for the month and \$34k under YTD. Interest expense is \$14k under budget for the month but is \$16k over YTD. Gross Receipt & Revenue Taxes are \$1k under budget for the month but is \$8k over YTD. Other Expenses are \$1k under budget for the month and YTD.

- **Total Non-Operating Margins** \$65 \$607

Capital Credits from CFC, CoBank and NISC are on budget for the month but is \$106k better YTD. Interest and Dividend Income is \$61K better than budget for the month and \$409k better YTD. Miscellaneous Jobbing Revenue and other expenses are \$4k better than budget for the month and \$94k better for the year. Gain/Loss on Disposition of Property is on budget for the month but is \$3k less than budget for the year.

- **Capital Spending Plan** \$424 \$1,097

Transformers and increased capacity are over budget by \$26k for the month and \$69k over YTD. Line projects, Reconductoring and Ordinary Replacements are \$25k under budget for the month and \$267k under YTD. Pole Replacements are \$57k over budget for the month and \$74k over YTD. The Battery Storage project is under budget by \$13k for the month and \$46k under YTD. New Services and Construction are \$14k under budget for the month and \$142k under for the year. Facilities, Fleet and IT projects are \$58k under budget for the month and \$486k under for the year. Substation projects are \$267k under budget for the month and \$101k under for the year. Security lights are \$1k under budget for the month and YTD. Meters and AMI are \$5k under budget for the month and \$24k under for the year. Tools are over budget by \$3k for the month and YTD. TIER 3 CAP Projects are under budget by \$128k for the month and \$178k under for the year.

TIER and Debt Service Coverage

We expect the 2018 Operating budget to be on target with our approved budgeted TIER of 2.08. Our Debt Service payments for 2018 are projected to be \$7.9 million.

Cash Flow and Line of Credit

In June, we used up to a peak of \$406k on our line of credit on June 25th. The July high for the line of credit is estimated to be \$0.

Balance Sheet

Our equity ratio in June is 45% consistent with May at 45%. Our current ratio, a measure of liquidity, is 1.32, down from May at 1.33. VEC's FFO ratio for 2017 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) is 2.18, up from May at 2.14.

Vermont Electric Cooperative, Inc.
Statement of Operations
Month to Date

	June, 2018 Actual	June, 2018 Budget	Actual- Budget Variance Fav (Unfav) \$	%	June, 2017 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	5,518,749	5,607,954	(89,205)	-1.6%	5,765,396	(246,647)	-4.3%
Sales for Resale	169,828	72,476	97,352	134.3%	87,415	82,413	-94.3%
Total revenues	\$ 5,688,577	\$ 5,680,430	\$ 8,147	0.1%	\$ 5,852,811	\$ (164,234)	-2.8%
Power supply cost							
Purchased power cost	2,508,139	2,693,930	185,791	6.9%	2,655,183	147,044	-5.5%
Sales for Resale	169,828	72,476	(97,352)	-134.3%	87,415	(82,413)	94.3%
Transmission	981,453	1,095,021	113,567	10.4%	1,036,518	55,065	-5.3%
Total Power supply cost	3,659,420	3,861,427	202,006	-5.2%	3,779,116	119,696	-3.2%
Gross Margin	\$ 2,029,157	\$ 1,819,004	\$ 210,153	11.6%	\$ 2,073,695	\$ (44,538)	2.1%
Operating expenses							
Distribution: Operations & Mtce	1,143,645	1,205,445	61,801	5.1%	1,022,679	(120,965)	11.8%
Customer accounts	211,167	221,710	10,543	4.8%	213,634	2,467	-1.2%
Administrative & general	334,653	328,335	(6,318)	-1.9%	328,808	(5,845)	1.8%
Total operating expenses	\$ 1,689,465	\$ 1,755,490	\$ 66,025	3.8%	\$ 1,565,122	\$ (124,343)	7.9%
Depreciation & amortization	493,860	500,272	6,412	1.3%	494,662	803	-0.2%
Gross revenue & receipts taxes	54,912	56,075	1,163	2.1%	56,296	1,384	-2.5%
Interest on long-term debt	295,309	302,206	6,897	2.3%	280,834	(14,475)	5.2%
Other interest expenses	1,785	8,762	6,977	79.6%	3,513	1,728	-49.2%
Other Deductions	74	1,500	1,426	95.1%	657	584	-88.8%
Total depreciation & other expenses	845,939	868,815	22,876	-2.6%	835,963	(9,976)	1.2%
Income from operations	\$ (506,247)	\$ (805,301)	\$ 299,054	-37.1%	\$ (327,390)	\$ (178,857)	-54.6%
Interest income	1,128,462	1,067,495	60,967	5.7%	864,502	263,961	30.5%
Other income (expenses)	4,939	946	3,993	422.1%	16,416	(11,477)	-69.9%
Other capital credits & dividends	-	-	-	N/A	-	-	N/A
Total non-operating margins	1,133,402	1,068,441	64,961	6.1%	880,918	252,484	28.7%
Net income (loss)	627,155	263,140	364,015	138.3%	553,528	73,627	-13.3%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 627,155	\$ 263,140	\$ 364,015	138.3%	\$ 553,528	\$ 73,627	-13.3%

Vermont Electric Cooperative, Inc.
Statement of Operations
Year to Date

	June, 2018 Actual	June, 2018 Budget	Actual- Budget Variance Fav (Unfav) \$	%	June, 2017 Actual	Prior Year Variance Fav (Unfav) \$	%
Revenue							
Operating Revenue	40,562,438	39,457,007	1,105,431	2.8%	40,058,407	504,031	1.3%
Sales for Resale	1,226,327	696,062	530,265	76.2%	896,667	329,660	-36.8%
Total revenues	\$ 41,788,765	\$ 40,153,069	\$ 1,635,696	4.1%	\$ 40,955,074	\$ 833,691	2.0%
Power supply cost							
Purchased power cost	17,725,479	17,537,348	(188,131)	-1.1%	17,957,854	232,375	-1.3%
Sales for Resale	1,226,327	696,062	(530,265)	-76.2%	896,667	(329,660)	36.8%
Transmission:	6,203,414	6,573,420	370,006	5.6%	6,501,429	298,016	-4.6%
Total Power supply cost	25,155,220	24,806,829	(348,390)	1.4%	25,355,950	200,730	-0.8%
Gross Margin	\$ 16,633,546	\$ 15,346,240	\$ 1,287,306	8.4%	\$ 15,599,124	\$ 1,034,422	-6.6%
Operating expenses							
Distribution: Operations & Mtce	6,991,141	6,657,724	(333,416)	-5.0%	5,758,841	(1,232,299)	21.4%
Customer accounts	1,299,222	1,378,171	78,949	5.7%	1,309,916	10,695	-0.8%
Administrative & general	1,968,300	1,948,667	(19,633)	-1.0%	1,899,244	(69,055)	3.6%
Total operating expenses	10,258,662	9,984,562	(274,100)	-2.7%	8,968,002	(1,290,660)	14.4%
Depreciation & amortization	2,945,656	2,979,532	33,876	1.1%	2,964,205	18,548	-0.6%
Gross revenue & receipts taxes	393,853	385,460	(8,394)	-2.2%	388,254	(5,600)	1.4%
Interest on long-term debt	1,861,748	1,829,265	(32,483)	-1.8%	1,798,315	(123,433)	7.1%
Other interest expenses	22,878	39,348	16,470	41.9%	30,269	7,391	-24.4%
Other deductions	8,324	9,000	676	7.5%	16,220	7,895	-48.7%
Total depreciation & other exp	5,232,460	5,242,604	10,145	-0.2%	5,137,263	(95,197)	1.9%
Income from operations	1,142,424	119,074	1,023,351	859.4%	1,493,860	(351,436)	23.5%
Interest income	2,623,946	2,214,804	409,142	18.5%	1,833,779	790,167	43.1%
Other income (expenses)	125,826	34,585	91,241	263.8%	99,545	26,281	26.4%
Other capital credits & dividends	501,569	395,171	106,397	26.9%	524,036	(22,467)	-4.3%
Total non-operating margins	3,251,341	2,644,561	606,780	22.9%	2,457,360	793,981	32.3%
Net income (loss)	4,393,765	2,763,634	1,630,131	59.0%	3,951,220	442,545	-11.2%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 4,393,765	\$ 2,763,634	\$ 1,630,131	59.0%	\$ 3,951,220	\$ 442,545	-11.2%

Vermont Electric Cooperative, Inc.
Balance Sheet (Assets)
June, 2018

	June, 2018 Actual	May, 2018 Actual	Variance Fav/(Unfav) \$	%	June, 2017 Actual	Variance Fav/(Unfav) \$	%
Electric plant, at cost:							
Electric plant in service	167,691,369	167,512,297	179,071	0.11%	162,421,936	5,269,433	3.24%
Less accumulated depreciation	(49,894,836)	(49,485,997)	408,839	0.83%	(46,292,118)	3,602,717	7.78%
Net electric plant in service	117,796,533	118,026,300	(229,767)	-0.19%	116,129,817	1,666,716	1.44%
Construction work in progress	2,146,597	1,953,150	193,447	9.90%	2,130,610	15,987	0.75%
Net electric plant	119,943,130	119,979,450	(36,321)	-0.03%	118,260,428	1,682,702	1.42%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	37,484,735	37,479,102	5,632	0.02%	30,774,457	6,710,277	21.80%
Deferred charges	147,839	149,581	(1,742)	-1.16%	148,825	(986)	-0.66%
Total other assets	37,698,271	37,694,380	3,890	0.01%	30,988,980	6,709,291	21.65%
Current assets:							
Cash	1,570,361	1,703,039	(132,678)	-7.79%	2,082,288	(511,927)	-24.58%
Notes receivable (net)	-	-	-	0.00%	-	-	#DIV/0!
Accounts receivable (net)	9,488,325	9,814,307	(325,982)	-3.32%	9,453,899	34,426	0.36%
Other receivables (net)	3,112,949	2,973,978	138,970	4.67%	1,621,091	1,491,858	92.03%
Inventories	5,160,491	5,001,823	158,668	3.17%	5,371,948	(211,457)	-3.94%
Prepaid expenses	656,821	684,778	(27,956)	-4.08%	571,825	84,996	14.86%
Total current assets	19,988,947	20,177,924	(188,978)	-0.94%	19,101,051	887,896	4.65%
Total assets	\$ 177,630,347	\$ 177,851,755	(221,408)	-0.12%	\$ 168,350,458	\$ 9,279,889	5.51%

Vermont Electric Cooperative, Inc.
Balance Sheet (Liabilities & Equity)
June, 2018

	June, 2018 Actual	May, 2018 Actual	Variance Fav/(Unfav) \$	%	June, 2017 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	-	-	0.00%	-	-	0.00%
Patronage capital assignable	(2)	6,705,150	(6,705,151)	429817385.90%	(3)	1	-63.46%
Other earnings	79,920,297	72,585,726	7,334,571	9.18%	73,628,463	6,291,834	7.87%
Contributions in aid of construction	-	-	-	0.00%	-	-	0.00%
Net equity	79,920,295	79,290,876	629,420	0.79%	73,628,461	6,291,835	7.87%
Long-term debt	81,998,530	82,807,323	(808,792)	-0.99%	78,379,501	3,618,930	4.41%
Capital leases - non current	386,539	382,570	3,969	1.03%	371,081	15,458	4.00%
Current liabilities:							
Current portion of long-term debt	4,208,393	4,208,393	-	0.00%	3,817,835	390,559	9.28%
Line of Credit	-	-	-	0.00%	1,800,000	(1,800,000)	0.00%
Accounts payable	5,534,909	5,395,354	139,555	2.52%	4,808,933	725,976	13.12%
Customer deposits	1,301,778	1,302,430	(653)	-0.05%	1,172,566	129,212	9.93%
Other accrued expenses	4,109,959	4,274,682	(164,723)	-4.01%	4,202,718	(92,759)	-2.26%
Total current liabilities	15,155,039	15,180,860	(25,820)	-0.17%	15,802,052	(647,013)	-4.27%
Deferred credits	169,944	190,128	(20,184)	-11.88%	169,264	680	0.40%
Total liabilities and equity	\$ 177,630,347	\$ 177,851,755	(221,408)	-0.12%	\$ 168,350,458	\$ 9,279,889	5.51%

Vermont Electric Cooperative, Inc.
Statement of Cash Flows

	Month		Year-to-date		* Variance Fav (Unfav)	
	June, 2018		June, 2018			* Actual
	Actual	Actual	Actual	Actual		
Cash flows from operating activities:						
Net income	\$ 627,155	\$ 553,528	\$ 4,393,765	\$ 3,951,220	\$ 442,545	
Noncash expenses (income) included in earnings:						
Depreciation & amortization	\$ 622,838	\$ 587,530	\$ 3,347,696	\$ 3,402,768	\$ (55,072)	
(Gain) loss on sale of fixed assets	\$ (530)	\$ (15,993)	\$ (3,280)	\$ (25,847)	\$ 22,567	
Changes in assets and liabilities:						
Decrease (increase) in notes receivable	\$ -	\$ -	\$ -	\$ -	\$ -	
Decrease (increase) in accounts receivable	\$ 325,982	\$ 1,114,025	\$ 796,587	\$ 524,319	\$ 272,268	
Decrease (increase) in other receivable	\$ (138,970)	\$ 72,070	\$ (469,762)	\$ 292,258	\$ (762,020)	
Decrease (increase) in inventories	\$ (158,668)	\$ 23,566	\$ (98,725)	\$ (1,091,635)	\$ 992,909	
Decrease (increase) in prepayments	\$ 27,956	\$ 43,677	\$ (180,883)	\$ (119,862)	\$ (61,021)	
Decrease (increase) in deferred charges	\$ 4,601	\$ 2,980	\$ 14,000	\$ 14,956	\$ (956)	
Increase (decrease) in accounts payable	\$ 139,555	\$ 162,248	\$ (1,619,132)	\$ (1,383,188)	\$ (235,944)	
Increase (decrease) in customer deposits	\$ (653)	\$ 8,958	\$ 67,476	\$ 132,402	\$ (64,927)	
Increase (decrease) in accrued expenses	\$ (164,723)	\$ (56,399)	\$ 1,304,854	\$ (636,831)	\$ 1,941,686	
Increase (decrease) in deferred credits	\$ (20,184)	\$ (20,029)	\$ 114,058	\$ (227,127)	\$ 341,185	
Net cash provided (used) by operating activities	1,264,359	2,476,162	7,666,654	4,833,435	2,833,219	
Cash flows from investing activities:						
Additions to electric plant in service and construction work in progress	\$ (834,763)	\$ (4,151,078)	\$ (4,878,015)	\$ (10,399,284)	\$ 5,521,268	
Proceeds from retirements of electric plant in service	\$ 245,916	\$ 3,432,268	\$ 1,144,555	\$ 8,194,498	\$ (7,049,943)	
Return on capital investments	\$ -	\$ -	\$ (132,542)	\$ (137,907)	\$ 5,365	
Proceeds (payments) from sale (purchase) of investment:	\$ -	\$ (289,700)	\$ -	\$ (289,700)	\$ 289,700	
Net cash provided (used) in investing activities	(588,847)	(1,008,510)	(3,866,003)	(2,632,393)	(1,233,610)	
Cash flows from financing activities:						
Proceeds from borrowings LOC	\$ -	\$ -	\$ -	\$ -	\$ -	
Payments to creditors Long-Term	\$ -	\$ 500,000	\$ (1,553,224)	\$ (500,000)	\$ (1,053,224)	
Payments to creditors LOC	\$ (810,455)	\$ (723,447)	\$ (2,087,845)	\$ (1,894,685)	\$ (193,160)	
Patronage Capital Retirements - Net	\$ 2,265	\$ (209)	\$ (7,736)	\$ (32,717)	\$ 24,981	
Memberships issued, net of refunds	\$ -	\$ -	\$ -	\$ -	\$ -	
Additions to donated capital, net	\$ -	\$ -	\$ -	\$ -	\$ -	
Net cash provided (used) by financing activities	(808,190)	(223,655)	(3,648,805)	(2,427,402)	(1,221,403)	
Net increase (decrease) in cash and equivalents	(132,678)	1,243,996	151,847	(226,359)	378,207	
Cash & cash equivalents at beginning of period	\$ 1,703,039	\$ 838,291	\$ 1,418,514	\$ 2,308,647	\$ (890,133)	
Cash & cash equivalents at end of period	\$ 1,570,361	\$ 2,082,287	\$ 1,570,361	\$ 2,082,287	\$ (511,927)	