

VERMONT ELECTRIC COOPERATIVE, INC.
UNAUDITED FINANCIAL REPORTING
FOR THE MONTH AND THREE MONTHS ENDED:
MARCH, 2010

Financial Highlights – March

	<u>Variance (K's)</u>	<u>YTD Variance (K's)</u>
March 2009 Net Income	\$356	\$880

Analysis:

- Operating Revenue**
\$111
(\$22)

Overall operating revenues are less than budget by 1.8% in March and on budget YTD. Sold KWH in March was 3% lower than budget for a negative variance of \$166k with YTD off plan by 2% and 313K. Degree days for the first quarter ran about 15% below normal (13% below 2009). The average price/KWH sold was .6% less than budget resulting in a negative variance of \$36k in March with YTD .2% less than budget by \$30k. Non-energy services, pole attachments, and wheeling revenues contributed additional revenue from the updates to our non-energy services more than expected for a positive variance of \$26k in March and \$85k YTD. Unbilled revenues were \$287k better than budget in March and are ahead of budget by \$235k YTD. Unbilled is expected to be on budget at year end so the results are likely only a temporary variance contribution.

- Purchased Power Costs**
(\$7)
\$437

Power costs were on budget in March and are 4.5% better than budget YTD. Purchases were 3% and \$102k less than expected in March and are also 5% and \$477k less YTD. Our overall costs/KWH was 4% and \$113k higher than budget in March and is also .4% and \$42k higher YTD.

- Transmission Costs**
\$61
\$165

Transmission labor costs finished better than budget by \$7k in March and \$36k YTD as we work to fill positions in this area. Transmission costs are running better than budget by \$49k in March and \$106k YTD largely related to better than expected Velco charges and ISO-NE OATT charges. Overhead line maintenance of transmission is running over budget by \$12k in March and \$17k YTD largely related to timing on helicopter inspections and some failed insulators. Transmission vegetative maintenance is under budget by \$23k in March and \$50k YTD.

- Distribution Operations/Mtce**
\$46
\$73

Overhead line maintenance costs were lower than budget by \$65k YTD. Major storm expenses were better than budget by \$25k in March but YTD has a negative variance of \$133k. Make ready work was better than budget by \$15k in March and \$38k YTD as survey work has been less than planned. Substation maintenance work was over budget by \$11k in March but is \$20k under budget YTD. Distribution vegetative maintenance program spending was under budget by \$17k in March and \$51k YTD. Vegetative mtce program overall is \$40k under budget for March and \$101k YTD.

- Customer Accounts**
\$3
\$63

Meter reading and collection activities have been less than expected largely from an open metering position and winter disconnect requirements for a positive variance of \$9k in March and \$54k YTD. Our SQRP performance and administration costs of the plan have been less than budget by \$4k in March and \$13k YTD.

• **Administrative & General** \$46 \$98

Regulatory related costs were \$19k under budget in March and are \$67k under YTD largely as a result of the uncontested rate case. A&G salaries were \$7k under budget in March and \$30k YTD.

• **Total Depreciation & Other Exp** \$1 (\$28)

Depreciation expense is \$9k higher than budget in March and \$29k YTD from two factors. First, our over spend on the 2009 capital budget negatively impacts depreciation with more assets built than expected. Additionally, we were able to get more of our overall projects into service and closed to plant than expected.

• **Non-Operating Margins** \$96 \$93

CoBank's 2009 patronage distribution in March included \$75k of non-cash distributions that were for equity and do not count towards meeting TIER requirements and we do not budget for non-cash patronage distributions. The additional positive variance of \$20k is the result of CoBank increasing cash patronage distributions from 50% to 65%.

• **Capital Spending Plan** (\$195) (\$114)

The Richford switch project carried into 2010 creating a negative variance to budget of \$3k in March and \$85k YTD. Pole replacement work was over budget in March by \$82k and \$260k YTD. Miscellaneous new construction, ordinary replacements, and line changes created a negative variance of \$95k in March and \$247k YTD. Lastly, in March we received a final true up from Velco related to a project they constructed for VEC in 2009 contributing a negative variance of \$3k in March and \$102k YTD. On the positive side for under spending to budget, the Rte 2 rebuild in North Hero was \$50k under budget in March and \$250k YTD as a result of timing with construction. Scada projects are running better than budget by \$98k in March and \$31k YTD. The AMI project was \$123k under budget YTD as we were awaiting word on smart grid grant. AMI costs for metering & substation will begin in May. The Steel Tower Line project is running behind schedule with a negative variance of \$258k in March but is \$250k under budget YTD.

TIER and Debt Service Coverage

We are on track to meet or exceed our TIER budget of 2.18. Our Debt Service payments for 2010 are projected to be \$5.0 million.

Cash Flow and Line of Credit

In March, we used up to a peak of \$3.9M on our line of credit. April is expected to reach a level of \$4.2M on Thursday 4/28.

Balance Sheet

Our equity ratio improved in March to 40.0% from 38.8%. Our current ratio, a measure of liquidity, declined to .97 from last months .99. VEC's FFO ratio for 2010 YTD ("Funds from Operations/Capital Expenditures Ratio"; Target of 80% desirable) was 1.14 even from the previous month of 1.14.

BALANCE SHEETS (ASSETS)

	March 2010 Actual	February 2010 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %	March 2009 Actual	Variance Fav/(Unfav) \$	Variance Fav/(Unfav) %
Electric plant, at cost:							
Electric plant in service	103,507,571	103,151,023	356,548	0.35%	94,442,939	9,064,632	9.60%
Less accumulated depreciation	(26,773,471)	(26,506,676)	266,795	1.01%	(25,576,532)	1,196,939	4.68%
Net electric plant in service	76,734,100	76,644,346	89,753	0.12%	68,866,407	7,867,692	11.42%
Construction work in progress	5,096,370	4,044,633	1,051,736	26.00%	3,756,181	1,340,188	35.68%
Net electric plant	81,830,469	80,688,980	1,141,490	1.41%	72,622,589	9,207,881	12.68%
Other assets:							
Non-utility property	65,697	65,697	-	0.00%	65,697	-	0.00%
Other investments	9,854,844	9,806,046	48,798	0.50%	9,685,238	169,606	1.75%
Deferred charges	(334,222)	(338,762)	4,540	-1.34%	(449,969)	115,747	-25.72%
Total other assets	9,586,318	9,532,981	53,337	0.56%	9,300,966	285,352	3.07%
Current assets:							
Cash	856,531	594,694	261,836	44.03%	793,657	62,873	7.92%
Notes receivable (net)	1,246	1,469	(223)	-15.18%	4,996	(3,750)	-75.06%
Accounts receivable (net)	9,231,537	10,404,258	(1,172,721)	-11.27%	9,341,296	(109,760)	-1.17%
Other receivables (net)	501,159	567,945	(66,786)	-11.76%	376,520	124,638	33.10%
Inventories	2,477,107	2,593,103	(115,996)	-4.47%	2,442,237	34,870	1.43%
Prepaid expenses	265,976	276,216	(10,240)	-3.71%	318,871	(52,895)	-16.59%
Total current assets	13,333,555	14,437,685	(1,104,130)	-7.65%	13,277,579	55,977	0.42%
Total assets	\$ 104,750,343	\$ 104,659,646	\$ 90,697	0.09%	\$ 95,201,134	\$ 9,549,209	10.03%

BALANCE SHEETS (LIABILITIES/EQUITY)

	March 2010 Actual	February 2010 Actual	Variance Fav/(Unfav) \$	%	March 2009 Actual	Variance Fav/(Unfav) \$	%
Equities:							
Memberships issued & subscribed	-	-	-	#DIV/0!	-	-	#DIV/0!
Patronage capital assignable	20,251,163	20,251,163	-	0.00%	16,561,252	3,689,910	18.22%
Other earnings	5,186,806	3,953,092	1,233,714	23.79%	4,467,566	719,240	13.87%
Contributions in aid of construction	16,481,444	16,445,410	36,033	0.22%	15,699,507	781,937	4.74%
Net equity	41,919,412	40,649,665	1,269,747	3.03%	36,728,325	5,191,087	12.38%
Long-term debt	48,516,733	48,814,780	(298,046)	-0.61%	44,626,876	3,889,857	8.02%
Capital leases - non current	305,678	306,688	(1,010)	-0.33%	318,381	(12,703)	-4.16%
Current liabilities:							
Current portion of long-term debt	2,080,491	2,080,491	-	0.00%	1,930,684	149,807	7.20%
Line of Credit	3,000,000	3,700,000	(700,000)	-23.33%	2,950,000	50,000	1.67%
Accounts payable	6,024,473	5,856,414	168,059	2.79%	5,839,156	185,317	3.08%
Customer deposits	262,489	257,874	4,616	1.76%	115,701	146,788	55.92%
Other accrued expenses	2,348,163	2,716,709	(368,546)	-15.70%	2,307,789	40,374	1.72%
Total current liabilities	13,715,617	14,611,488	(895,871)	-6.53%	13,143,330	572,287	4.17%
Deferred credits	292,903	277,026	15,877	5.42%	384,221	(91,319)	-31.18%
Total liabilities and equity	\$ 104,750,343	\$ 104,659,646	\$ 90,697	0.09%	\$ 95,201,134	\$ 9,549,209	10.03%

MONTHLY

STATEMENT OF OPERATIONS

VEC

	March 2010 Actual	March 2010 Budget	March 2010 Actual- Budget Variance Fav (Unfav) \$	March 2010 Actual- Budget Variance Fav (Unfav) %	March 2009 Actual	March 2010 Actual - March 2009 Variance Fav (Unfav) \$	March 2010 Actual - March 2009 Variance Fav (Unfav) %
Revenue							
Operating Revenue	6,350,245	6,239,246	110,999	1.8%	6,379,446	(29,201)	-0.5%
Sales for Resale	133,834	90,288	43,546	48.2%	308,326	(174,492)	56.6%
Total revenues	\$ 6,484,079	\$ 6,329,534	\$ 154,544	2.4%	\$ 6,687,772	\$ (203,693)	-3.0%
Power supply cost							
Purchased power cost	(3,122,390)	(3,115,121)	(7,269)	-0.2%	(3,390,656)	268,267	7.9%
Sales for Resale	(133,834)	(90,288)	(43,546)	-48.2%	(308,326)	174,492	56.6%
Transmission	(659,974)	(720,886)	60,912	8.4%	(625,951)	(34,024)	-5.4%
Total Power supply cost	(3,916,198)	(3,926,295)	10,098	0.3%	(4,324,933)	408,735	9.5%
Gross Margin	\$ 2,567,881	\$ 2,403,239	\$ 164,642	6.9%	\$ 2,362,839	\$ 205,042	-8.7%
Operating expenses							
Distribution: Operations & Mtce	(769,652)	(815,758)	46,106	5.7%	(785,574)	15,922	2.0%
Customer accounts	(197,067)	(200,097)	3,030	1.5%	(206,755)	9,688	4.7%
Administrative & general	(201,758)	(247,549)	45,790	18.5%	(243,217)	41,459	17.0%
Total operating expenses	(1,168,477)	(1,263,404)	94,927	7.5%	(1,235,546)	67,069	5.4%
Depreciation & amortization	(296,797)	(288,156)	(8,641)	-3.0%	(331,081)	34,284	10.4%
Gross revenue & receipts taxes	(56,032)	(57,858)	1,826	3.2%	(57,272)	1,240	2.2%
Interest on long-term debt	(237,856)	(249,383)	11,527	4.6%	(225,373)	(12,483)	-5.5%
Other interest expenses	(9,660)	(9,118)	(532)	-5.8%	(6,252)	(3,398)	-54.4%
Other Deductions	(4,592)	(1,212)	(3,380)	-278.9%	(480)	(4,113)	-857.3%
Total depreciation & other expenses	(604,927)	(605,727)	800	0.1%	(620,457)	15,530	2.5%
Income from operations	794,477	534,108	260,369	48.7%	506,835	287,642	-56.8%
Interest income	210,560	235,101	(24,541)	-10.4%	243,879	(33,319)	-13.7%
Other income (expenses)	13,667	(261)	13,928	-5327.0%	(524)	14,191	-2710.4%
Other capital credits & dividends	215,011	108,332	106,679	98.5%	108,255	106,756	98.6%
Total non-operating margins	439,237	343,172	96,066	28.0%	351,610	87,628	24.9%
Net income (loss)	1,233,714	877,279	356,435	40.6%	858,445	375,269	-43.7%
Extraordinary expenses	-	-	-	N/A	-	-	N/A
Total net income (loss)	\$ 1,233,714	\$ 877,279	\$ 356,435	40.6%	\$ 858,445	\$ 375,269	-43.7%

STATEMENT OF CASH FLOWS

	Month		March 2009	March 2010	March 2009	Year-to-date	Variance Fav (Unfav)	
	March 2010	Actual	Actual	Actual	Actual	March 2009	\$	%
	Actual					Actual		
Cash flows from operating activities:								
Net income	\$ 1,233,714	\$ 858,445	\$ 2,613,441	\$ 1,894,220	\$ 719,221	37.97%		
Noncash expenses (income) included in earnings:								
Depreciation & amortization	418,569	456,550	1,143,585	1,241,074	(97,489)	-7.86%		
(Gain) loss on sale of investments	-	(530)	(1,590)	(1,590)	-	0.00%		
Changes in assets and liabilities:								
Decrease (increase) in notes receivable	223	442	669	1,382	(723)	-51.95%		
Decrease (increase) in accounts receivable	1,172,721	960,257	94,100	(474,024)	566,124	-119.85%		
Decrease (increase) in other receivable	66,786	(65,413)	92,944	466,416	(373,472)	80.07%		
Decrease (increase) in inventories	115,996	161,866	122,125	(98,963)	221,087	-223.40%		
Decrease (increase) in prepayments	10,240	(22,581)	74,199	(115,332)	189,531	164.33%		
Decrease (increase) in deferred charges	(19,874)	44,649	(63,403)	(36,151)	(27,252)	-75.38%		
Increase (decrease) in accounts payable	168,059	(1,888,229)	416,524	415,056	1,468	0.35%		
Increase (decrease) in customer deposits	4,616	8,305	23,029	12,342	10,688	-86.60%		
Increase (decrease) in accrued expenses	(368,546)	(287,521)	443,676	(29,953)	473,629	-1581.25%		
Increase (decrease) in deferred credits	15,877	69,852	(26,907)	(156,821)	129,914	-82.84%		
Net cash provided (used) by operating activities	2,817,851	296,091	4,932,391	3,117,667	1,814,725	58.21%		
Cash flows from investing activities:								
Additions to electric plant in service and construction work in progress	(1,512,771)	(1,260,342)	(3,352,530)	(3,236,119)	(116,411)	-3.60%		
Proceeds from retirements of electric plant in service	(31,423)	(60,134)	(147,081)	(172,302)	25,221	-14.64%		
Return on capital investments	(76,620)	(50,892)	(77,039)	(45,425)	(31,614)	69.60%		
Proceeds (payments) from sale (purchase) of investments	27,822	-	27,822	-	27,822	N/A		
Net cash provided (used) in investing activities	(1,592,992)	(1,371,368)	(3,548,828)	(3,453,846)	(94,982)	-2.75%		
Cash flows from financing activities:								
Proceeds from borrowings LOC	-	-	-	-	-	N/A		
Payments to creditors Long-Term	(790,000)	1,049,782	(400,000)	400,058	(800,058)	199.99%		
Payments to creditors LOC	(299,056)	(245,344)	(536,609)	(495,723)	(40,886)	-8.25%		
Increase in contributions in aid of construction	36,033	9,304	124,003	35,235	66,768	251.93%		
Memberships issued, net of refunds	-	-	-	-	-	N/A		
Additions to donated capital, net	-	12	2	12	(11)	-86.92%		
Net cash provided (used) by financing activities	(963,023)	813,755	(812,604)	(60,417)	(752,187)	-1244.99%		
Net increase (decrease) in cash and equivalents	261,836	(261,522)	570,960	(396,596)	967,556	-243.97%		
Cash & cash equivalents at beginning of period	594,694	1,055,180	285,571	1,190,253	(904,682)	-76.01%		
Cash & cash equivalents at end of period	\$ 856,531	\$ 793,657	\$ 856,531	\$ 793,657	\$ 62,873	7.92%		
Supplemental cash flow information:								
Cash paid during the period for interest	\$ (543,893)	\$ (430,989)	\$ (543,893)	\$ (430,989)	\$ (112,904)	-26.20%		